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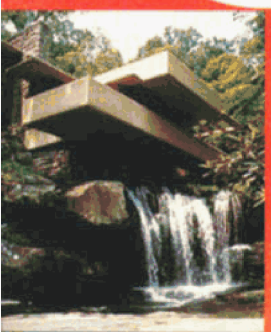

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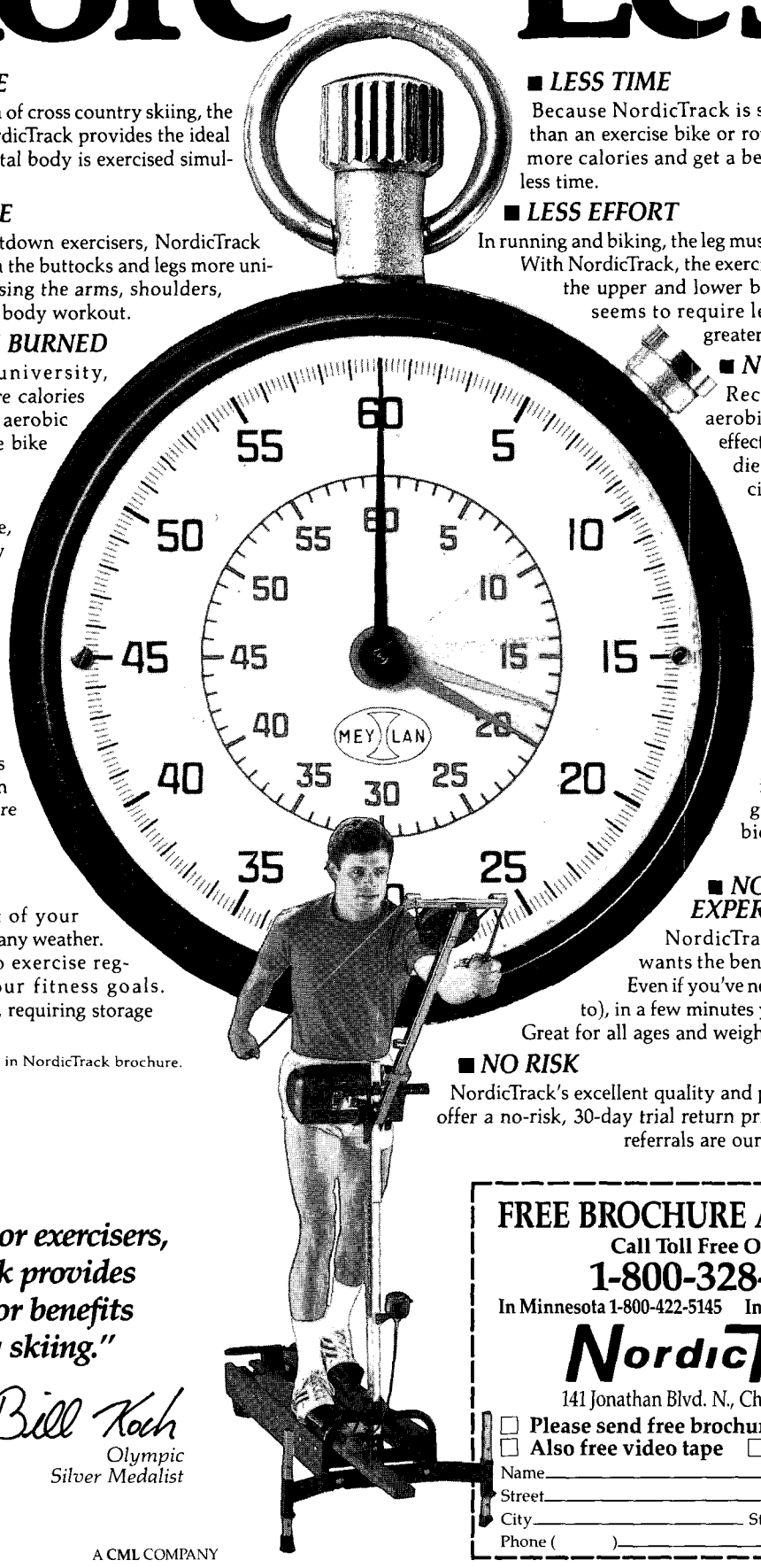

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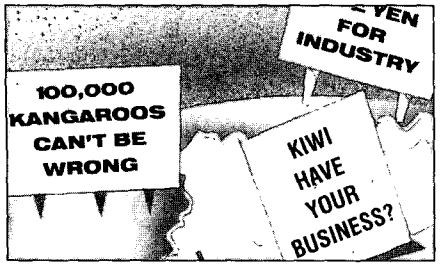

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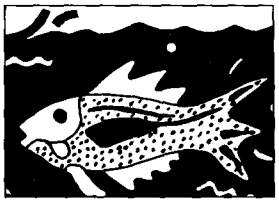

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LETTERS

Singing the Postal Blues (and Oranges)

I'd like to suggest that Mr. Crutcher ("Yes, Postmaster General," Dec.) update his views. The Postal Service is already investigating the use of outside organizations to monitor delivery service for bank lock-box operations. That report has been very positive on USPS service.

The old productivity figures Mr. Crutcher complains about are also outdated. For at least two years, the Postal Service has been using a complex procedure known as Total Factor Productivity, which is accepted by the Bureau of Labor Statistics and the private sector as an acceptable approach. This measure shows that postal productivity is about the same as the nonfarm sector of the U.S. economy over the past decade.

Mr. Crutcher also claims that postal costs are out of control and puts the blame on overpaid labor. It is not as simple as that. Career employees at United Parcel Service can make substantially more than their postal counterparts—without adversely affecting profits. High wages are not the issue.

Competition, or repeal of the so-called postal monopoly, is the unobtainable panacea recommended by Mr. Crutcher. Yet technology has made the private express statutes virtually irrelevant. Electronic mail, facsimile, electronic funds transfer, and other communications media carry messages that traditionally were "mail."

The issue, unmentioned by Mr. Crutcher, is the continued restriction on the Postal Service's ability to respond to market pressures. I might suggest that the Postal Rate Commission (of which Mr. Crutcher is a member), costing hundreds of million dollars and paid for by the Postal Service, be abolished. Unregulated competitors such as UPS, which can influence the rates and service offerings of the regulated Postal Service, surely have nothing to fear from postal deregulation.

Kent B. Smith
Field Director
USPS, Southern Maryland Division
Capitol Heights, MD

POSTAL SERVICE FORM 3227-R (April 1988)—the orange envelope by which I order and receive stamps and postcards at my rural mailbox—displays the following paragraph: "This envelope is provided, in conjunction with the National Rural Letter Carriers' Association National Joint Steering Committee on the Quality of Working Life/Employee Involvement Process, to make it convenient for you to purchase stamps and other postal products." To the eye of the untutored postal patron (me), the envelope differs from its pre-1988 incarnation chiefly in its resealability, its extreme orangeness (perhaps to remind the mailperson to beware of such spherical orange canines as graced the cover of REASON's December issue), and its larger size and smaller print (to accommodate the informative message).

If the additional revenue generated by the 13.5 percent increase in first-class rates will help to further the goals of the NRLCANJSCQWL/EIP, and if their vision of the Employee Involvement Process includes more Involvement in Quality Work, then I'm all for it.

Jeffry D. Mueller
Finksburg, MD

I AM WRITING THIS as a member of the nation's smallest subculture: libertarian postal workers. As a 15-year employee of the Postal Service, I can assure you Mr. Crutcher's article on the Postal Serv-

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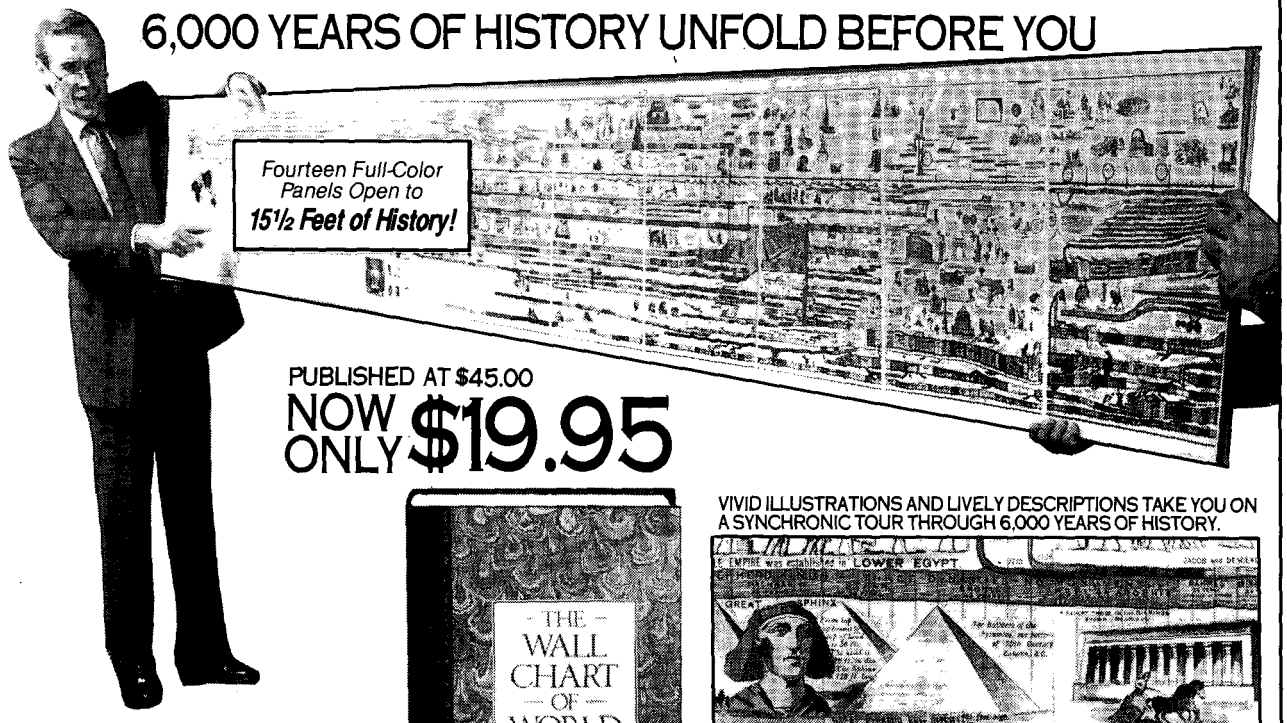

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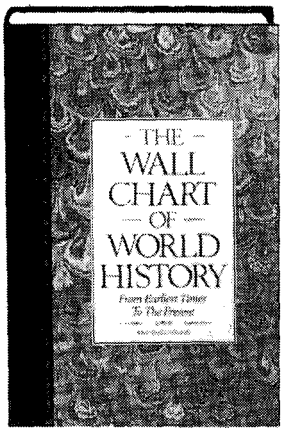

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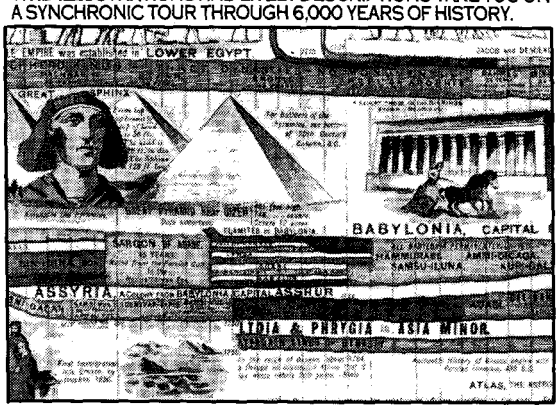

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ice hit right on the postmark.

Being on the inside looking out, there is no question that the lack of "profit motive" is the biggest problem afflicting the service. No amount of reform will improve the operation until the Post Office is shaped and honed in the heat of free-market competition.

The second-biggest obstacle is the barrier of work rules erected by the postal unions. These rules promote waste, inefficiency, and sloppy work habits, while the unions spearhead a ferocious drive to head off privatization ("Private Cures for Postal Ills," Dec.). Union leaders claim their support of the postal monopoly is to ensure the best possible service for all citizens; but they fear that in the face of free-market forces the Postal Service would fold quicker than a postcard going through a letter-sorting machine.

Mine is a lonely vigil. I have yet to confront another libertarian or semilibertarian in the workplace. Could I be the only one out of 800,000? Sure, it is frustrating, but through rain, sleet, snow...

Conrad Gurt
Calumet City, IL

Flashy Foreign-Aid Fashions

Melanie Tammen's exposé of AID projects ("With Aid Like This...," Jan.) was most interesting. However, U.S. policy should not get all the blame.

In 1987 I worked on an AID-funded project in Egypt. We were designing a "low-tech" facility, on a massive scale. The Egyptian authorities ("our client") did not cooperate with the design effort and eventually refused to make available the land needed to build the facility. Now, almost two years later, AID and the design firms are trying to recommend the state-of-the-art technology that will achieve the same purpose and also satisfy the Egyptian government.

Throughout my tenure on the project, AID resisted requests by the client to provide overly sophisticated technology, which is somehow seen as an end in itself (status symbol) by those who don't have it. They fail to understand the important role of unsophisticated technology even in more-developed countries, for the same reasons of cost and simplicity that make it appropriate in less-developed countries.

Perhaps the greatest task faced by our foreign-aid dispensers is to educate the ensconced client bureaucrats that aid and technology are not manna from the wealthy to the poor, but investments in their own potential for self-improvement. There indeed may be AID projects that "vainly try to instantly transplant development from the United States," but in many cases this is exactly what the client nations are insisting on.

K. V. Leininger
Corvallis, OR

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Good Enough for the Navy but not for Nitwits

Howard Baetjer's article "Beauty and the Beast" (Dec.) should elicit a host of horror stories about trade licensing. I consider my own experience maddening, but not particularly unusual. As an enlisted man in the navy, I was trained as and worked as an electronics technician, servicing and maintaining complex radar systems aboard ships. I was involved in the Cuban missile crisis and played footsie with the Russian "fishing" trawlers. My talents were good enough to keep the systems operating and to protect the ship and ultimately the country.

After having my fill of chicken-dung discipline, I got out and decided that radio and TV repair was the thing to do. Not so, said the People's Republic of Massachusetts. You gotta have a license to fix TVs. No matter that a TV was a toy compared to a radar system. No matter that the theory is the same. No matter that my talents were good enough to defend the country, including the nitwit regulators. You gotta have a license, and you can't get a license without serving an "apprenticeship" of one year, which required yet another license. No matter that the licensing procedure grandfathered the hacks, parts hangers, and tube changers that were already in the business.

There is no question in my mind that the licensing of radio and TV techs was a direct result of many people like myself who got out of the service with good training and broad experience in electronics and threatened the existing businesses with competition. There is no question in my mind that this threat of competition was the real and *only* driving force behind the licensing hogwash, despite the unsupportable claims of "public safety" and "consumer protection."

Len Gay
Onset, MA

Off Balance

The case for a limited constitutional convention to enact a balanced-budget amendment to the Constitution did not deserve

the lukewarm support it received from John J. Pitney, Jr. ("Budget Balancing Act," Jan.). A so-called concon is the only way left for us to restore any fiscal sanity to our budgetary process.

As Pitney admits, Congress has proven itself resistant to adopting the amendment on its own. The people have little choice but to take matters into their own hands, through their state governments. The fear of a "runaway convention" cited by so many opponents is unfounded. There are simply too many safeguards in the convention process to worry about our cherished freedoms being abolished.

It is doubtful, though, that a convention would ever take place, anyway. We are now just two states away. If New Jersey, next to act, adopts a resolution favoring the convention, Congress would act on its own as it did in 1912 when proponents of the direct election of senators came within one state of convening a constitutional convention.

The framers of the Constitution were well aware that Congress could become intransigent, which is why they included the convention process in that great document. And it was Thomas Jefferson who lamented that a balanced-budget requirement was not originally included as well.

What it comes down to is whether or not we can apply enough pressure to Congress to force them to act. Passage of the various resolutions endorsing a constitutional convention is just such a way.

Richard L. Duprey
New Jerseyans for a Balanced Budget
Convent Station, NJ

Does the Punishment Fit the Crime?

I have been subscribing to REASON for about a year now. I am not going to renew my subscription because of your October issue calling for the legalization of drugs.

How can drugs be legalized and America continue to be a free country? Your masthead says "Free Minds and Free Markets." Well, with rampant drug use, neither would be free at all. The solution to the drug epidemic is not to legalize them and create more problems; it is to really stop their use, with the death penalty, searches and seizures, and penalties for the small user.

Your magazine would have America go the way of pre-Communist China, weakened to the point of collapse by imported drugs. Let's remember history and get rid of drugs—not legitimize them simply to fit your particular ideology with no heed to the consequences.

David P. Johnson
North Marshfield, MA

THE LETTERS under the "Drug-vote-crazed" headline (Jan.) omit the one argument that could make drug legalization (or decriminalization) acceptable. It is the same argument, written into law, that increases the penalties for DUI offenses above those that would apply otherwise. It is the unaccepted argument of the National Rifle Association in opposition to gun-control proposals, that crimes involving guns should be penalized more heavily than those involving knives and baseball bats. As a matter of political acceptability (James M. Buchanan, "Camelot Will Not Return," Jan.), crimes "under the influence" or even illegal manufacture and distribution ("moonshine" laws) would have to require rigorous and above-average punishment under law. But most of all, the notion that irresponsibility is an excuse for criminal behavior would have to abandoned.

Earl B. Lancaster
Peoria, IL

In Defense of Robocop and Running Man

I found much with which to disagree in "Shoot-'em-Ups Go Left" by Richard Marin (Jan.). His main gripe seems to be that "violent action-adventure at the movies is no longer the exclusive property of good ol' Republican values." His conclusion, however, that the new genre of movies is anticapitalist or full of "laissez-faire privatization run amok" is incorrect. Anti-Republican and anti-capitalist are not one and the same.

I have seen and immensely enjoyed both *Robocop* and *The Running Man*. I would recommend both to any freedom-loving individual.

Robocop makes the statement that to

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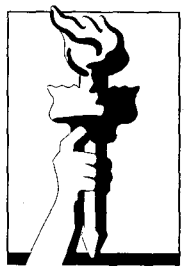

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Marshall Fritz

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RE6

LETTERS

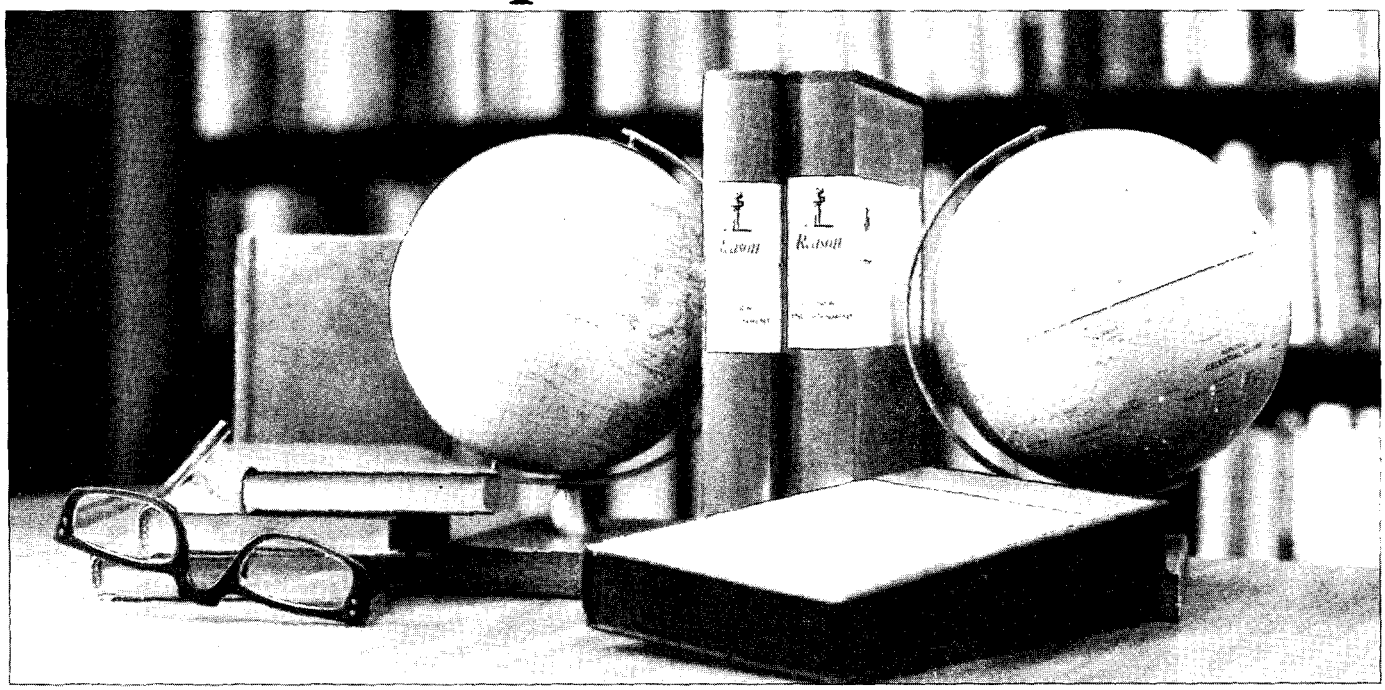
have true liberty, law and order must be based on certain principles. Robocop has no trouble arresting, and sometimes damaging, individuals who abuse other people's rights to their persons and properties. Without hesitation he arrests and shoots robbers and rapists. He even does this with a sense of fair treatment of criminals; he does not shoot the robbers until it is absolutely necessary, and he shoots the rapist in the organ where it does the most damage. What Robocop does not do, however, is kill innocents just because his "maker" wants them out of the way. He actually shows development of a conscience, even though it happens to be a programmed conscience, when he has trouble killing his maker even after realizing that his maker is a criminal, someone who does not respect individual rights. At the end of the movie, however, this dilemma is nicely solved and he kills his maker in "self-defense."

The Running Man is even better. It is set in a future where the United States has followed its logical philosophical course and has become a totalitarian state. Arnold Schwarzenegger "(a Republican, incidentally)," starts out as a policeman for the state. When he refuses to shoot innocent, unarmed demonstrators against the state, he is sent to prison for life. After a somewhat contrived escape, he tries to flee Big Bad L.A. for Hawaii. He is caught and, at the insistence of a quasi-governmental game show host, Richard Dawson, has to escape well-trained government hit men while all America watches via government-approved broadcasting. Due to a well-planned technological misinformation campaign against him, the public, exemplified by a "little old lady," wishes him nothing but a brutal death and places bets against him. As he ingeniously overcomes each obstacle and kills the hit men, the little old lady slowly but surely starts cheering for him. After he has overcome all obstacles and finds the hidden government broadcasting center, he is finally able to show the true story of what happened to him.

Although the action of each film centers around a profit-seeking enterprise, these enterprises have little to do with capitalism or laissez-faire privatization. They represent the gross reality of our times—Government and Business bedding down with each other.

John Cralley Shaw
Houston, TX

The Capitalist Revolution



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Back in 1947, the heyday of central planning and socialism, F. A. Hayek gathered a small band of writers and thinkers at Mont Pelerin in Switzerland. Their "mission impossible" task: to reverse the worldwide trend toward socialism and restore the vitality of classical liberal ideas of free trade, individualism, and free markets.

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"The New Enlightenment" was produced by London's Diverse Productions, in association with the Reason Foundation. It was broadcast last December on Britain's Channel 4 – and quickly became the country's most talked about television series. Denounced by the left-wing dailies but taken very seriously by other media, it was termed "the most exciting and important non-fiction programme on television" by the *Financial Times*.

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SELL THOSE BASES!

ROBERT W. POOLE, JR.

Taxpayers appear to have won a stunning victory over military waste. A Pentagon commission has recommended the closure of 86 unneeded bases, to yield annual savings of $700 million. Congress must pass the entire package of proposed closings on a yes-or-no basis. This clever twist, courtesy of Texas congressman Dick Armey, is designed to undercut the usual pork-barrel politics that have prevented any base closures in more than a decade.

But don't cheer yet. Even these modest savings are threatened. And far larger potential savings—perhaps $5 billion more—aren't even on the agenda.

Representatives with targeted bases in their districts are already trying to stop the closures, whining about job losses. But the facts are against them. A Booz Allen Hamilton study of 12 converted bases found that in almost every case, the civilian jobs lost due to base closure were offset by an equal or greater number of new jobs. A 1986 Pentagon follow-up study of 100 closures found that 138,000 new jobs replaced the 93,000 jobs lost.

The reason is obvious. Military bases are prefabricated industrial parks. They already have a great deal of infrastructure—roads, sewers, electricity, and often usable buildings. No wonder most closed bases have been recycled into office parks, assembly plants, schools, and airports. In short, these are *valuable* properties.

But there's the other problem. Because of the stupid way in which the government disposes of property, the $700 million in annual "savings" comes mostly from reduced operating costs. What's being ignored is the potentially huge revenue available for deficit reduction if these bases were sold as commercial property.

Instead, here's what the feds do. First, they try to give the base away to other military services. If none of them wants it, they offer it to other federal agencies. Next in line are state and county governments. Only if all else fails do the feds actually try to sell the property to the public—that is, the private sector.

How much revenue is being forgone? Fort Sheridan, on the lakeshore north of Chicago, is valued at $100 million—but the projected operating-cost savings from its closure are only $9 million a year. Many other bases are on even more valuable land. The sale of just 50 bases at an average price of $100 million each would yield $5 billion.

Excuses abound for not selling these properties. Since many are air bases and we need more airports, the conventional response is to give those bases to local governments. After all, everybody knows that only governments can run airports! Likewise, it's assumed that a facility like the Philadelphia Naval Hospital could only be recycled into a public hospital, not a private one. This kind of blindness robs the taxpayers of billions.

Perhaps the most outrageous case is that of the Presidio, overlooking the Pacific and the Golden Gate Bridge in San Francisco. This beautiful 1,400-acre property, complete with golf course, athletic fields, medical center, and 1,375 units of housing, is widely acknowledged to be one of the most valuable properties in the world. Yet selling even parts of it is considered unthinkable.

In fact, a 1977 law mandates that if the base is closed, all but 36.5 acres must be turned over to the National Park Service to become part of the Golden Gate National Recreation Area. The little parcel can be leased to the city or sold—in the usual governmental way.

There are no detailed estimates of the value of this land. But it is clearly in the billions, according to experts like real estate broker Raymond Brown, who specializes in the nearby Pacific Heights area.

Privatizing most of the Presidio land would solve three large problems facing San Francisco. First, of course, is the job losses that *would* occur if 1,375 base families are kicked out to make way for a park. The Chamber of Commerce estimates that base employees account for 2 percent of the city's economic activity.

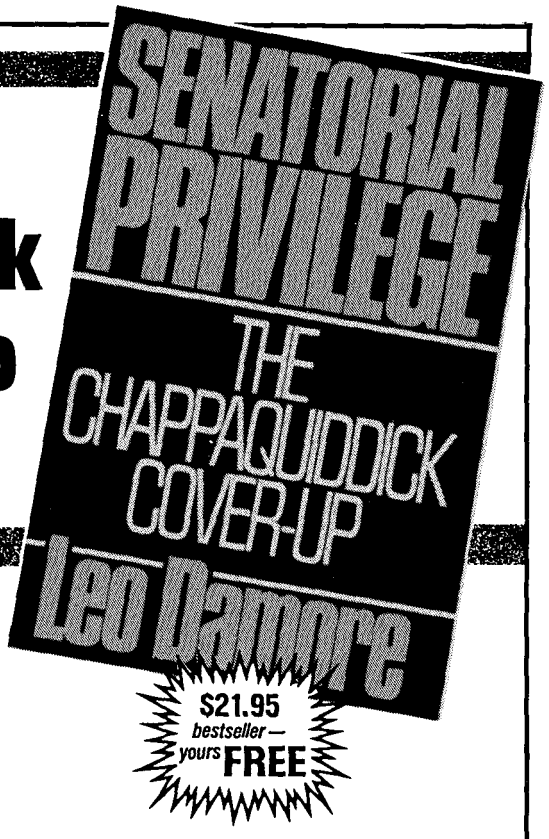
The second problem is a severe housing shortage. Removing 1,375 units—rather than adding several thousand more—would make a bad situation worse.

Then there's the city's worsening fiscal crisis. As a park, the Presidio land would remain off the property tax rolls. But in private hands and developed with houses, condos, restaurants, etc. (plus plenty of open space, to be sure), the land plus improvements might be worth $50 billion. One percent of that each year (the maximum take under Proposition 13) is $500 million, more than doubling the city's current property tax revenue.

Even if the citizens of San Francisco are blind to these benefits, other American taxpayers are not. Federal properties like the Presidio belong to all of us. Not very many of us will ever gambol about in the Golden Gate National Recreation Area (which already has 73,000 acres!). The only way *we all* can benefit from the base closures is for the feds to sell these properties commercially and use the proceeds to reduce the crushing burden of debt and deficits. And commercial sale would also maximize the likelihood of new-job creation, as these properties find their economically most-beneficial uses.

The real battle of the base closures has just begun. Taxpayers will not emerge victorious until these properties go on the auction block.

Despite a media brownout, this book fought its way onto the bestseller lists.



And when you read what it reveals about Teddy and Chappaquiddick, you'll see why.

Ray Kerrison explains it all in his *New York Post* column:

"The biggest surprise — and scandal — of the publishing season is the public's extraordinary demand for a book exposing Sen. Edward Kennedy's fatal escapade at Chappaquiddick, despite a review blackout by the nation's media giants.

This book is titled *Senatorial Privilege: The Chappaquiddick Cover-Up* (Regnery Gateway, $21.95). Written by Leo Damore, it made the *New York Times* non-fiction best-seller list yesterday for the eighth straight week.

Yet the . . . *Washington Post, Los Angeles Times, Boston Globe, Time* and *Newsweek* have all boycotted it.

The media blackout is all the more suspicious because Damore's account is a meticulous examination of what happened at the bridge and the aftermath. It was written with the cooperation of Joseph Gargan, a Kennedy cousin, who was involved in the nightmare. . . .

Damore's book leaves no doubt that: a) Kennedy left the party for a romantic interlude; b) he was drunk; c) he drove off the bridge at considerable speed; and d) his license had expired five months earlier.

It discloses how Ted Sorenson, President John F. Kennedy's speechwriter, drafted Sen. Kennedy's fictitious explanation of the tragedy for a national TV audience."

People Magazine shares the enthusiasm:

"An achievement of reportorial diligence, this book tells a story that the most imaginative crime novelist would have been hard put to invent. It is a tale of death, intrigue, obstruction of justice, corruption and politics. It is also one view of why Sen. Edward M. Kennedy was never indicted in connection with Mary Jo Kopechne's death . . . readers will find it hard to put down."

Adds the **Wall Street Journal**:

"Absorbing and definitive account . . . Damore . . . is a disciplined and relentless writer who makes his case more devastating because he never steps back and editorializes. Each falsehood, blunder and evasion is in tight focus. . ."

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THE FARM BARRIER

MARTY ZUPAN

Last November, when corn was selling on the world market for $97 a metric ton, European farmers were getting $212, courtesy of European taxpayers. For soybeans, it was $577, compared to $267 on the world market.

Uncle Sam doesn't like that. European consumers wouldn't like it either—if they could price-shop. But the European Community keeps out cheap agricultural imports with trade barriers. Meanwhile, European farmers sow and reap at the pace of multiplying rabbits. Their output of oil seeds such as soybeans, for example, has more than quadrupled since 1980. Why not, when the EC buys up crops at inflated prices, then dumps them on the world market?

This is not good for U.S. farmers. They (and Canadians and Australians and Argentinians) are more productive than their European counterparts, but all those surpluses depress world prices. Growing more crops for export isn't a very good deal, then. So the U.S. government, anxious to help a trade-balance-in-deficit, is putting pressure on the Europeans to undertake radical reform.

For the first time in 30 years, all agricultural trade barriers are on the international negotiating table. The member nations of the General Agreement on Tariffs and Trade (GATT) agreed to this much in 1986. But now that the United States has gotten down to brass tacks, the EC is resisting.

What the United States wants, as a condition for negotiating specifics, is an agreement in principle to end all trade-distorting farm subsidies over a defined period. The year 2000 has been suggested, but U.S. negotiators consider the date open to talk. What they won't give in on is the commitment all around to what's been dubbed the "zero option."

Agricultural subsidies now require a daunting 60 percent of the EC's $54-billion annual budget. The tab can only go higher without reform. But the EC will only consider a freeze, and then a scaling back, of subsidies.

December's GATT talks in Montreal broke down over the issue, and now the United States is under fire for being "extreme." Even the 13-member Cairns group of Pacific trading nations led by Australia, which has been highly critical of worldwide farm subsidies, has lined up against the United States. "We're staring down the barrel of an all-out trade war," fumed Michael J. Duffy, Australian delegate to the Montreal talks. *The Economist* figures the U.S. position is "a ploy to stall reform while putting the blame for failure on Europe."

The fact is that the U.S. solution would be just as hot a political potato at home as in Europe. The *only* beneficiaries of any farm subsidy are domestic farmers. Home consumers lose. Foreign consumers lose. Foreign producers lose. Taxpayers everywhere lose. The environment loses. Debt-ridden Third World countries lose. Pleasing farmers—and satisfying a vague need for "food self-sufficiency"—is the only reason for agricultural subsidies. And in the United States there are 2.5 million farmers and $30 billion a year in subsidies; in the EC, 12 million farmers and about the same subsidy payout. As Willy de Clercq, the EC's trade commissioner, observed, "It's not difficult to draw the conclusion which farmers are more supported."

U.S. trade policymakers seem awfully sure that the GATT focus on "trade-distorting" subsidies will fall much more heavily on the Europeans, who use trade barriers to maintain high prices for domestic farmers. The United States, in contrast, relies on an extensive scheme of price floors and production quotas. The truth is that the U.S. subsidy package is ultimately just as trade-distorting as the Europeans'.

The U.S. position isn't too "extreme" at all. In fact, we should be even more radical: unilateral subsidy slashing would prove that we're willing to take it, too, and not just dish it out. It wouldn't hurt consumers and taxpayers one bit. And it would help the Third World a lot more than billions in aid. Reagan's U.S. trade representative, Clayton K. Yeutter, has moved to Agriculture. He should put together a domestic proposal—and sell it to the American people—that would really wake up the GATT crowd.

CLASSLESS CLASSROOMS

VIRGINIA I. POSTREL

Parents at a Los Angeles public school raise money to hire Berlitz instructors to teach students Spanish. The lessons are a hit: English-speaking kids enjoy learning the language. Their immigrant classmates get a chance to shine. Everybody is happy.

A story of parent initiative and intercultural success from the pages of the *L.A. Times*? No way. This is hush-hush stuff recounted to me at a party. The parents can't let the school board find out about their efforts, or this innovative program will come to an abrupt end. We can't let one school have Berlitz classes if other schools can't have them. That's official policy.

American public schools are run on the old principle invoked by every teacher who ever caught a student snacking in class: "If you're going to eat that, you'll have to share with the rest of the class." Schools are the last bastion of unbridled egalitarianism.

Nowadays, you don't hear too many people pushing equality for equality's sake. Sure, politicians talk about helping the poor. They even talk about taxing the rich to do so. But the point is to help the poor, not just to make everyone the same. Nihilistic leveling has been out of fashion at least since the Khmer Rouge convincingly demonstrated that the only true equality is found in the grave.

But among many public-school "educators," the terms of the debate haven't

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changed. Equity remains the cardinal virtue, regardless of consequences. You can't try to improve education for anyone unless you improve it for everyone.

"You don't gain more equity by putting more money into an advantaged school," says Samuel B. Husk, executive director of the Council of the Great City Schools, in a *New York Times* article on private donations to public schools. His oddly named organization, which studies the problems of the nation's largest urban school districts, takes a dim view of such donations: "There's always a balance, and boards have to find it by developing a policy that assures that whatever the source of money, schools have the same resources available to them."

This attitude is as understandable as it is outrageous. True, public schools are not in business to promote equity; they're in business to promote learning. But as "public servants," administrators too often confuse equity with fairness. If all schools are equal—even equally bad—no one can say government officials are playing favorites. If all schools have the same programs, angry parents are less likely to pester the school district to make sure their kids get the best.

The educationists' ideology of safe mediocrity extends to arguments about why we can't risk giving parents choice about where to send their kids to school—especially if that choice includes tax credits or vouchers for private school tuition. If we let people choose, the argument goes, all the good, motivated students will leave the bad schools. Those schools will then be left with no one but undesirables. We have to sacrifice the good students—not just the gifted, mind you, but *anyone* interested in learning—to somehow help the bad students. How exactly bad students are supposed to benefit from this scheme is never clear. In fact, if an L.A. school district specialist (in gifted education!) hadn't made this argument to me, I'd think it was a straw man.

Too many public educators have lost sight of a basic truth: If you can make some students better off without making other students worse off, that's good. Any educator worthy of that overused title ought to seize the opportunity—even if the beneficiaries happen to be wealthy, gifted, well-behaved, or just plain diligent. That our public schools actually discourage improvements indicates that there is something very, very wrong.

NO PARKING

CRAIG M. COLLINS

Most of the charges against Drexel Burnham Lambert involve stock parking. Put simply, a parking arrangement is one where stocks are owned by one person for the benefit of another. That's not illegal unless it's used to evade securities laws, and the charges against Drexel illustrate just about all of the ways this can be done. Some of them are:

- Drexel "parked" a chunk of Fischbach stock with Ivan Boesky for the benefit of Drexel client Victor Posner, who wanted the company but was temporarily barred by agreement from buying shares.
- Boesky bought enough stock in MCA to raise the price so Drexel client Golden Nugget could unload its shares at a profit.
- Boesky parked Phillips Petroleum stock with Drexel to avoid the SEC's net capital limits.

There are other cases. Stock parking is easy to understand but exceedingly difficult to prove in any fair sense. If the parties make the same purchases and sales with no prior agreement, it is legal.

So what is an agreement? Prosecutors in the Drexel case made much of Boesky's decision to purchase $5.3 million worth of investment services from Drexel following Boesky's profitable maneuvers in Fischbach and other Drexel deals. Was this lucrative arrangement Boesky's way of remitting to Drexel profits from stock that was parked with him, or merely Boesky knowing who his friends are?

Proving an illegal agreement of this type is never easy. Boesky might have dinner with someone from Drexel who mentions offhandedly that Posner is interested in Fischbach (already a well-known fact). Is this idle speculation or an illegal hint that Boesky should buy?

Since the prosecutors used the devastating threat of the RICO statute to intimidate Drexel into settling the case against it, we may never hear the government's evidence. No doubt much of it was based on testimony from Boesky, who knows that he might escape further charges if he says what the prosecutors want to hear. It is quite possible, however, that Drexel and Boesky never made explicit agreements, which both parties knew to be illegal and, in any case, unenforceable. They may simply have been exchanging favor for favor.

Drexel's attorneys must have expected that the average juror would find it difficult to believe that Boesky would speculate millions of dollars on Fischbach stock without some promise that Drexel's client would launch a takeover of the company. But broker-dealers like Boesky are in the business of speculating, on people as well as on financial markets. Boesky could have bet millions that Michael Milken of Drexel is a stand-up guy who would reward loyalty.

That wouldn't be stock fraud, just as it is not prostitution when a man buys dinner for a woman who later has sex with him. Despite what cynics say, a large but immeasurable number of business transactions occur every day based on trust, loyalty, and expectations of reciprocal generosity. It is these intangible values, rather than legally enforceable, written agreements, that provide the basis for business transactions of all sizes.

The government's efforts to eliminate these invisible agreements are hopeless. Unsophisticated investors hear about the laws that are supposed to protect them, and they read about a few high-profile convictions, and they are fooled into thinking their market investments are free from Drexel-Boesky–style risks. The SEC's rules create an illusion of safety. Thousands of lawyers who attempt to apply these amorphous securities laws would be out of work tomorrow if Congress spoke the words "caveat emptor." But small investors would be fairly warned. r

Correction: In the February issue, a misplaced line garbled a paragraph in Ted Carpenter's review (page 52). It should read: According to Codevilla, Reagan's rhetorical commitment to SDI substituted political symbolism for the need to make difficult decisions about U.S. strategic doctrine and the potential role of a defense against Soviet missiles. Moreover, the focus on a futuristic system based on yet-undeveloped technology has obscured the fact that existing technology could provide a significant degree of protection. "Both the Reagan Administration and its opponents have tried to avoid making responsible, public choices about ballistic missile defenses," Codevilla contends.

STUDENTS

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TRENDS

Presumed Guilty

Prosecutors are resorting to questionable tactics to convict more white-collar and drug defendants. Some of these tactics will make it more difficult for innocent people, caught for whatever reason in the criminal justice system machinery, to exonerate themselves.

Once someone is charged with selling narcotics, for example, prosecutors can seize any of the suspect's assets that might represent proceeds of the drug sales. This usually happens prior to trial, before the person has been convicted of anything. Often *all* of the suspect's assets are frozen, so that he or she has nothing left to hire an attorney. The U.S. Supreme Court will soon rule on whether such forfeitures deprive defendants of their constitutional right to counsel.

Prosecutors point out that the state will hire a lawyer for any defendant who cannot afford one; the Constitution promises only counsel, not counsel of choice. But William J. Genego, professor at the University of Southern California Law Center, says recent federal crime statutes aimed at white-collar and drug criminals are "extraordinarily complex." Most public defenders, says Genego, are too inexperienced and overburdened with work to effectively defend such cases.

Prosecutors need not actually exercise the forfeiture power to take advantage of it. The threat that they might use it is a "tremendous coercive tool" and leads some lawyers to turn down potential clients, reports Genego. In some cases prosecutors propose a rather shady deal: they promise not to pursue forfeiture of attorney fees only if the client will plead guilty.

When they can't keep an accused person from hiring an attorney, some prosecutors use other tactics to keep effective defense lawyers off the case. For instance, they can force an attorney to testify before a grand jury about his or her relationships with the person under investigation. Then if the grand jury hands down an indictment, the lawyer might have to refuse to represent this client, on ethical grounds. If not, the prosecutor hopes that the client will lose trust in the attorney anyway and hire someone else.

The Bail Reform Act of 1984 also hinders a successful defense by making it easier to hold suspects in jail *prior* to trial. This practice prevents accused persons from freely talking with their attorneys, locating friendly witnesses, and otherwise assembling the necessary information to prove their case. And as a result of the new drug law, prosecutors can seek fines and other sanctions in civil court. This means accused persons no longer will be protected by all of the procedural safeguards established for criminal trials.

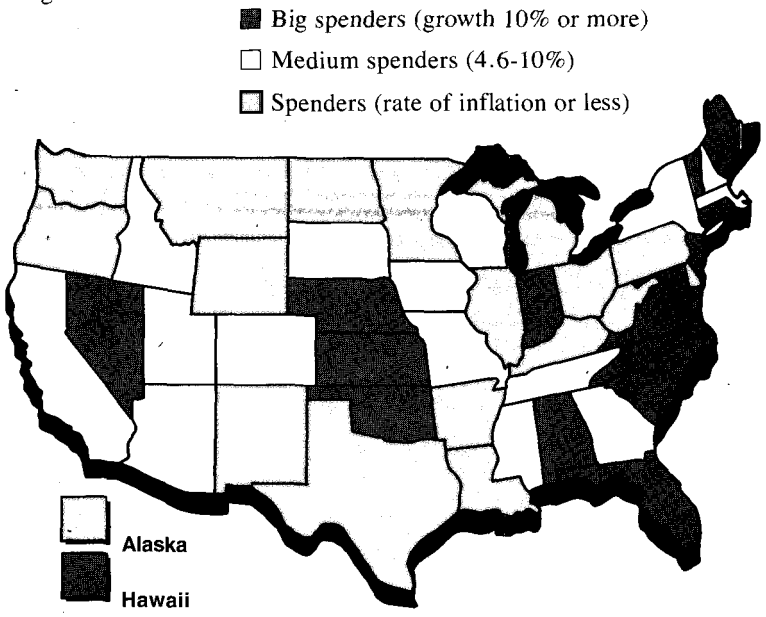
Last August, the Criminal Justice Section of the American Bar Association held a meeting to discuss some of these underhanded devices. With diplomatic understatement, the committee chairperson suggested that prosecutors who use such tricks display "a derogation of the sense of respect for colleagues who are our adversaries." The loss of mutual respect among criminal lawyers might be lamentable, but it probably is not the primary concern of innocent people sentenced to prison because they could not get adequate legal counsel.

—Craig M. Collins

Frugality, Government-Style

Pundits tell us that this is an era of government austerity. Reaganism and taxpayers' revolts, the argument goes, have put a lid on government spending. But it seems that state legislators haven't been listening to the pundits.

A survey by the National Association of State Budget Officers predicts that spending, not including capital investments, by state governments will rise by an average of 6.8 percent in 1989—2.2 percentage points above the expected 4.6 percent rate of inflation. Spending will grow fastest in Vermont (16.9 percent) and Hawaii (16.3 percent). Only two states—Alaska and Wyoming—plan to cut spending from 1988 levels.



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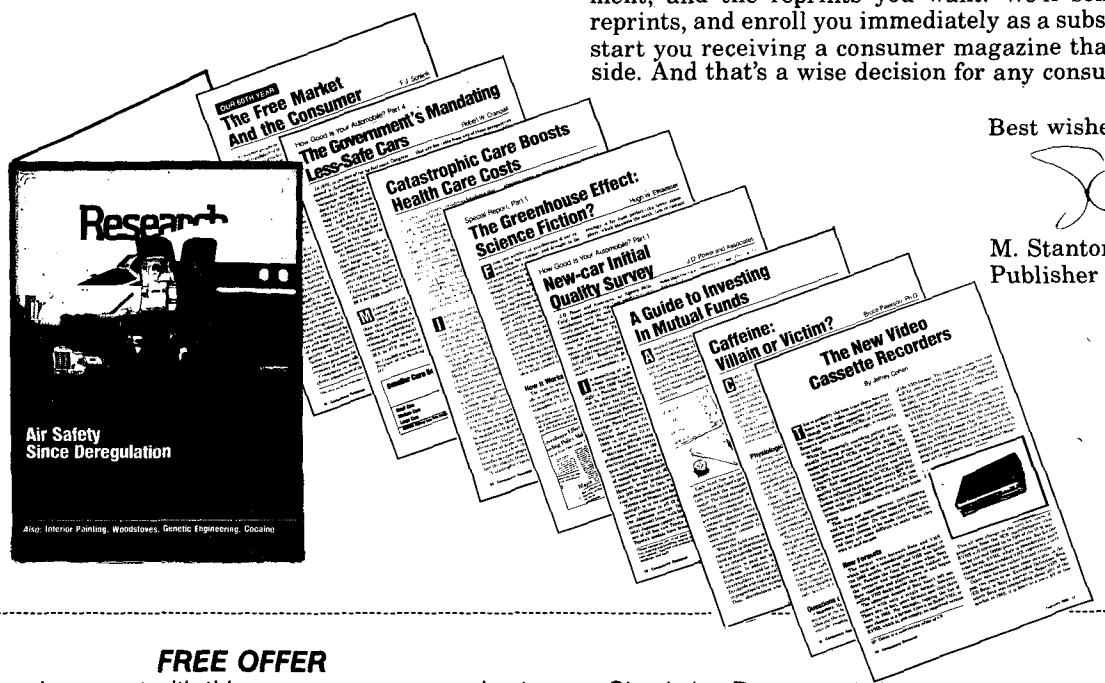
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Environmentalism Corners the Market

Last fall the media paraded a number of pressing ecocrises—the greenhouse effect, ozone depletion, dirty syringes on the beach—across the electoral stage in a clamorous attempt to make the presidential contest a referendum on Reagan's environmental legacy. The people voted. Bush won.

But rather than exiting toward the traditional stage left, environmental issues retained the postelection spotlight. Debate has simply shifted from crisis to solution, with some surprising champions promoting the free market as a mechanism for "cleaning up." For instance, Sens. Tim Wirth (D-Colo.) and John Heinz (R-Pa.)—neither of whom has amassed a profound pro-market record in Congress—sponsored a study entitled "Harnessing Market Forces to Protect Our Environment: Initiatives for the New President."

The study recommends that many forms of regulation and pollution taxes be replaced with tradable permits defining how much the bearer can pollute. Long advocated by free-marketeers, the permit system would specify how clean the environment is to be without mandating particular mechanisms, thereby giving businesses the incentive to develop "clean" technologies that boost productivity while minimizing pollution.

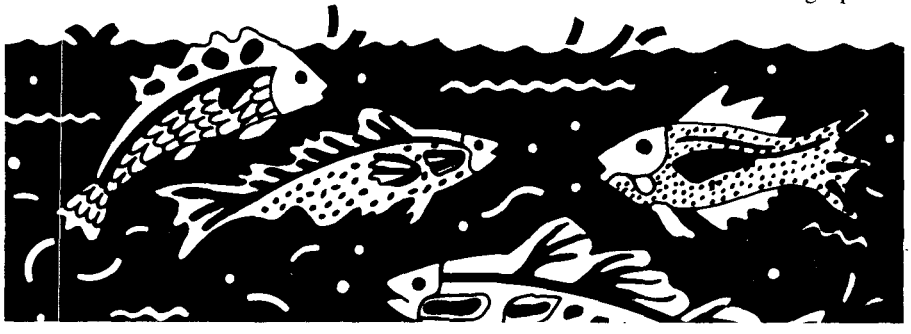
By advocating the permit alternative, Wirth and Heinz are challenging what Harvey Alter of the U.S. Chamber of Commerce calls Congress's "mistaken belief that you have to beat on people to get anything done." Merging environmentalism and market incentives, Wirth and Heinz say, would produce a more certain regulatory system (taxes are notoriously unpredictable) that gets more protection bang for the buck while avoiding additional burdens on American businesses or the federal deficit.

The study also recommends ending government subsidies that encourage pollution in streams and on public lands and reducing state and federal barriers to the development of water markets. "By allowing free markets to arise for water rights, voluntary exchanges can take place in which both parties are made better off," the study says. Water markets "promote more efficient allocation of scarce water resources and curb the perceived need for additional (expensive and environmentally disruptive) water supply projects."

The study is not devoid of more-traditional congressional approaches, including higher fuel-efficiency standards for automobiles, federal management of an expanded strategic petroleum reserve, and above all, a call for more "study" by the Environmental Protection Agency. Still, the Wirth and Heinz effort represents a major shift in establishment thinking by asserting that economic growth and a clean environment are not only compatible but intimately linked.

Given the public's increased concern about the environment—documented by polls taken before and after election day—the senators are surely mixing a little politics in with their policy analysis. As their study remarks, "new policies which deliver improved environmental quality at reasonable cost and which are consistent with American traditions favoring volunteerism and disliking government coercion should have a promising future." As will, no doubt, the politicians advancing them.

—John Hood



Shadow of Truth Faces Consequences

In a landmark judgment, the Bombay High Court has ruled that the constitutional guarantee of freedom of expression extends to state-controlled television. Fiery Bombay-based lawyer and activist Indira Jaising had charged that Doordarshan (Indian TV) had wrongfully deleted her views from a program on women and the law.

Jaising was interviewed last March for an episode of "Sach Ki Parechaiyan" (Shadow of Truth). When the show appeared two days later, Jaising discovered that her remarks on relatively noncontroversial issues like dowry legislation were telecast, but everything she had said on the controversial Muslim Women's Bill, dealing with divorce, was deleted. Jaising had argued that the bill is unconstitutional and would violate women's right to equality under the law.

In her ruling, High Court Justice Sujata Manohar was acerbic about Doordarshan's argument that free speech doesn't apply to TV: "Mr. Nilakantha, Counsel for Doordarshan, has not cited any authority of law in support of this somewhat alarming proposition. The right to freedom of speech and expression has been considered by our courts as including freedom of the press. The right equally covers freedom of other media as well."

Classical liberal Minoo Masani, one of the founders of the now-defunct Free Party, welcomed the ruling: "It is a good thing. The audio-visual media have as much right to freedom of expression as newspapers and magazines."

—Probir Kumar Sarkar, Delhi

"We tried to have state control of every aspect of life. They are still trying that. And that is the main reason why poverty and deprivation are so severe in Ethiopia today. If you stifle the individual, there will be no growth."

—Dawit Wolde Giorgis, formerly Ethiopia's head of famine relief and now a projects analyst in the Homeless Planning Unit of New Jersey's Department of Human Services, quoted in the New York Times.

Left Standing at the Courthouse

Do receivers of information enjoy the same First Amendment protections as senders? A recent decision by the D.C. Circuit Court of Appeals seems to suggest they do not.

In September, the court dismissed a case brought by the Competitive Enterprise Institute and a California travel agent against the Department of Transportation. DOT restricts what data may be communicated over airline computer reservation systems. CEI argued that the restrictions infringe on the First Amendment rights of information users, such as the travel agent and her clients. But the court ruled that since no airline had indicated an interest in supplying the prohibited information, CEI lacked standing to challenge the DOT restrictions.

Sam Kazman, general counsel at CEI, argues that such a standard ignores the rights of consumers by predicating their ability to sue on the public stance of the airlines. "If industry rolls over, this decision leaves consumers out in the cold in challenging regulations," says Kazman, who plans to appeal the ruling.

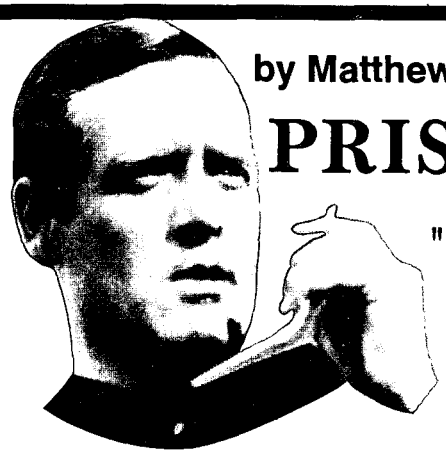
Sam Kazman: Appeal for consumers

Kazman contends that some airlines would indeed want to provide information once restrictions were lifted. "If a governmental agency gags a speaker then it's common sense to assume that the speaker wanted to speak," he says. More importantly, he says, since consumers are the ultimate beneficiaries of free markets—and the ultimate victims of government intervention—they have as much right as businesses to demand unrestricted trade.

Sometimes the interest of consumers and industry may clash. For instance, when tobacco advertisements were banned from broadcast, the tobacco companies did not challenge the ban—stations did. Why? Because the companies "made out like bandits," Kazman says, as none of them had to worry about another's one-upmanship in advertising. The restriction did for companies what they, governed by antitrust laws and competitive pressures, could not. But stations lost revenue and consumers lost their right to product information.

The CEI case may be caught up in a D.C. Circuit reexamination of the standing of public interest groups in general, Kazman says. In that case, an effort to keep Naderite groups from calling for all sorts of statist measures in spurious suits could also restrict consumers' ability to demand their rights in the marketplace.

—John Hood



by Matthew White & Jaffer Ali

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BALANCE SHEET

Assets

Oil's Well. OPEC members come to terms—barely—but petro-pundits don't expect much higher oil prices. Contrary to '70s dogma, cartels really do crack up. For the moment, at least, Americans have more to fear from Congress's lust for a gas tax.

Class Consciousness. Parents rebel against dictatorial school systems. Detroit voters oust Mayor Coleman Young's crew from the school board, in favor of four upstarts. The new guys say public schools should compete with one another for students. Shockingly, even the teachers' union backs the reformers. Meanwhile, Seattle black leaders demand real competition: they want the school district to hire *private* schools to teach "at risk" students.

Scroll Survivors. Israel says no, for now, to the ultra-Orthodox agenda, as American Jews threaten an *intifada* of their own. The long-term problem, however, lies in Israel's uneasy combination of vigorous democracy and East Bloc–style statism.

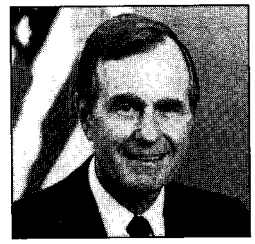
Jerry Tarkanian

Zone Defense. The Supreme Court affirms the right of private associations to discipline members. The NCAA, it rules, can ban Jerry Tarkanian, of University of Nevada–Las Vegas, from coaching basketball. For picayune rules, arbitrarily applied, the NCAA rivals any government agency. But the case marks a rare acknowledgement of the public-private distinction.

Liabilities

Dangerous Precedent. Hong Kong stamps "return to sender" on illegal immigrants from China and pens Vietnamese boat people behind barbed wire. Meanwhile, local businesses can't find workers; 10,000 to 15,000 jobs go begging in construction alone. "Economic migrants" find few havens anywhere on earth. But the Hong Kong unions who fight immigration should keep 1997 in mind. Live by the sword...

Grand Inquisitor. Prosecutors use RICO the way their forebears used the rack—to elicit confessions. "Drexel admits guilt," read the headlines, not "Drexel pleads guilty to avoid financial torture." (Some of Drexel Burnham's crimes are as technical as the finest heresies regarding transubstantiation.) Where are those card-carrying ACLU members on *this* issue?



George Bush

Corporate Tools. Will Bush bring back big-business Republicanism? And, with it, regulation? The antibusiness crowd forgets that large companies often don't mind government meddling, as long as they can turn it against competitors. Look for more protectionism and securities regulation, plus "kinder, gentler" mandates that crush entrepreneurs.

Junkyard Dogs. Liability worries and EPA zeal threaten to squelch some of America's most-effective environmentalists—scrap-metal processors. They recycle about half the iron, lead, and zinc and a fifth of the aluminum that Americans throw out. But the trashed appliances, cars, and other discards they turn into minimill feedstocks also contain hazardous wastes. And recyclers don't want old PCBs, lead, or cadmium coming back to haunt them in court. So more junk may wind up in the nation's landfills, bringing its hazards along with it. *—Virginia I. Postrel*

Aiding AIDS Patients

The battle to get new AIDS drugs to the market has created a new alliance. Project Inform, an advocacy group for AIDS patients, and the Competitive Enterprise Institute, a free-market-oriented think tank, have joined forces to fight federal regulations that restrict the availability of experimental new AIDS drugs.

CEI has a history of forming coalitions with liberal groups on matters of mutual concern. In fact, CEI's tactics have often been reminiscent of Ralph Nader: filing petitions, publicizing government waste, and suing the government on behalf of victims of various regulations.

The two groups have now petitioned the Food and Drug Administration to change its regulations to encourage wider use of experimental drugs. Currently, patients cannot sign away their right to sue if they take an experimental drug that later turns out to be harmful. As a result, pharmaceutical companies keep useful drugs off the market, fearing lawsuits. CEI and Project Inform have proposed changing the rule to allow patients to sign informed-consent forms acknowledging the risks and giving up their right to sue.

The two groups also want the FDA to let AIDS patients buy, with a prescription, drugs that are safe but haven't been proven effective. Under existing regulations companies can sell only drugs proven both safe and medically effective.

Many liberal Democrats oppose such efforts. "Under the guise of fighting AIDS, the ideologues in the Reagan Administration are trying to dismantle the regulatory process," Rep. Ted Weiss (D-N.Y.) complained to the *New York Times*. Deregulation, he added, "would open the American public to great danger of being killed by dangerous drugs."

CEI General Counsel Sam Kazman disagrees. "The FDA would still have the power to certify drugs. But if a doctor and a patient informed of the risks want to use drugs that have not been approved by the FDA, they could."

Project Inform Director Martin Delaney, no Reagan fan, notes, "AIDS activists are aligning themselves with deregulators. The liberals who want to be our friends are obstacles to FDA deregulation."

—Charles B. Oliver

Artistic Licenses

The National Hispanic Media Coalition has asked the FCC not to renew broadcast licenses for three Los Angeles television stations—including the new Fox network's flagship. The group claims the stations don't hire enough Hispanics or offer programs that reflect L.A.'s large Latino population. It wants Fox's license for KTTV for itself.

Such challenges are common at license renewal time—every five years for TV stations, every seven for radio. And though the government rarely jerks broadcasters' licenses, challengers with political clout can usually wrangle some favors out of nervous station owners.

FCC Chairman Dennis Patrick has publicly suggested, however, that his agency should make it more difficult for private parties to challenge broadcasters' licenses. One proposal would limit broadcasters' payments to groups that challenge licenses, as a way of discouraging challengers only hoping to collect "nuisance" money. Another proposal would create a two-step

renewal process. Only after the FCC determines that the license should *not* be renewed would it consider applications from other groups.

The FCC hasn't officially endorsed either of these proposals. But Patrick has mentioned several times that broadcasters who otherwise comply with FCC rules should be able to expect to renew their licenses without having to prove that they "serve the community"—a highly subjective standard. He also believes the renewal process should no longer involve any analysis of broadcasters' program content, since this interferes with their right of free speech.

Patrick is a "youngster," however, with a "fetish about no government, no regulation," according to Sen. Ernest Hollings (D-S.C.), chairman of the committee that oversees the FCC. Along with some other powerful Democrats in Congress, he has resisted many of Patrick's reforms and is urging President Bush to replace him. Patrick has overcome such congressional antagonism in the past—most notably, in repealing the Fairness Doctrine. License renewal reform might be the basis for the next FCC-Congress clash.

—Craig M. Collins

Next Step for Free Trade?

A North American Common Market stretching from the Yukon to the Yucatan is one step closer to existence. In November, Canadian Prime Minister Brian Mulroney won reelection, guaranteeing passage of the U.S.-Canada Free Trade Agreement that eliminates most trade barriers between the two countries. During last year's presidential campaign, George Bush expressed interest in a common market for North America and indicated that he wanted to negotiate a free-trade agreement with Mexico. President Bush is expected to direct U.S. trade representatives to negotiate such an agreement.

Mexico is already our third-largest trading partner (behind Canada and Japan), with trade between the two countries totaling $35.1 billion in 1987. A free-trade deal could solidify relations between the United States and Mexico and improve both countries' economies. U.S. companies would have guaranteed access to the Mexican market, as well as greater access to Mexico's abundant supplies of labor and petroleum. Mexico, on the other hand, would gain from an infusion of U.S. capital and technology. Some American companies already have assembly plants in Mexico, and newly elected Mexican president Carlos Salinas de Gotari wants to expand American operations in Mexico.

However, the two countries must overcome many obstacles before an agreement is reached. In Canada, fear of American economic domination almost killed the free-trade pact. Mexico's economy is much weaker than Canada's, and many of its people fear that eliminating barriers to foreign investment will lead to American ownership of Mexico's natural resources. U.S. investors already account for $10.1 billion of investment in Mexico—60 percent of all outside investment.

Mexico's $104-billion foreign debt, most of which is owed to banks in the United States, will further complicate trade negotiations. President Salinas has declared that his top priority is dealing with the debt and has hinted that any negotiations toward lowering trade barriers must be linked to a plan to relieve Mexico of its debt burden.

In addition, Mexican officals insist that a true common market implies free movement not only of capital and commodities but also of labor. Many economists think that the United States' low birthrate and expanding economy will lead to a need for more immigrant and migrant workers, a need that Mexico, with its high birthrate and high unemployment level, could fill. Mexican officials, however, question whether the United States will welcome millions of Mexican workers.

Negotiators will have to overcome some serious obstacles, but there is interest on both sides. Many experts believe that the United States and Mexico can reach some sort of trade liberalization agreement, although not one as comprehensive as the U.S.-Canada pact.

—Charles B. Oliver

FYI

Groups or individuals mentioned in this month's Trends:

AIDS Drugs:
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Prosecutors:
William J. Genego
USC Law Center
Room 401
University Park
Los Angeles, CA 90089
(213) 743-7385

CAPITAL F-L-I-G-H-T

THE HIDDEN POWER OF TECHNOLOGY TO SHRINK BIG GOVERNMENT

These words are being typed in a plane at 33,000 feet en route to St. Louis. The computer I am using is about the size and weight of a small box of Tide, but it has the internal memory of the University of Maryland's entire computer center when I was a graduate student there two decades ago. I carry in my shirt pocket enough disks to conduct the business of a modest-sized firm.

The small size but great power of modern computers is no longer astounding. What is not fully recognized, however, is that the computing power on my lap represents an immense threat to the economic and political power of the U.S. government and other governments around the world. Because technology is changing the nature of capitalism, my computer represents a liberation of "people power." Capital is being freed from the strict confines of arbitrary national boundaries; it is becoming internationalized to an extent never before imagined. As a consequence, the power of government to tax and regulate may be in its twilight years.

BY RICHARD B. MCKENZIE

ILLUSTRATIONS BY JENNY ADAMS

I am sure no one worries that I, or anyone else with a laptop computer, will plot and orchestrate the overthrow of any government. On the contrary, the machine represents a threat to governments precisely because it, along with many other technological wonders, makes governments marginally less valuable, even as an object of overthrow. By making the capital in capitalism far more elusive and far more difficult for governments to control, technology is gradually eroding their monopoly power and could ultimately reduce people's incentive to control governments (or the people who run them).

With similar or even more powerful laptop computers, portable telephones, and fax machines, modern entrepreneurs have the country, and world, at their command. With modems, they can send production orders throughout the globe. More important, they can pit producers around the world one against another in a competitive struggle, calling up on their computer screens alternative bids for jobs that often can be done with equal ease in St. Louis, Missouri; Camden, South Carolina; or Trincomalee, Sri Lanka.

The political impact of today's technological advancements differs markedly from those of past decades. One or two hundred years ago, industry enjoyed technologies that spawned economies of scale—progressively higher production levels with larger and often more geographically concentrated plants and equipment. The symbol of economic progress became the assembly line, winding like a maze through plants that covered hundreds of acres. Managers were then, as some remain today, painfully aware that their vast amounts of capital were more or less fixed in place by prohibitively high relocation costs.

In the unmovable plants, and the people tied to them by employment, governments had a source of power. Like an oil field, it could be tapped, in this case with a variety of tax and regulatory drills. The powers of government to regulate and tax were largely unchecked, except by the rules of everyday politics. When capital could not move except at great expense, legislators did not need to worry very much about "capital flight" or "runaway plants"—terms that did not become popular until the industrial-policy debates of the last decade. Firms could then only grin and bear it, or pay the political-influence piper.

Government power over capital and people has hardly faded away. Some capital is still difficult to move or is altogether immobile. Government, measured in expenditures in real-dollar terms, has continued to grow in the United States in spite of professed efforts by a conservative Republican president to slash its size.

Nevertheless, government growth is waning. Rhetoric is changing. The economic powers of governments are dissipating, at least "around the edges." The trend is evident in the spreading conviction that government cannot be the solution to all social ills. And it is evident in legislators' push toward protectionism—which can serve to restore the fading ability of government to contain and control the stream of tax revenues from the nation's business and people tax base.

The concern of legislators is well-founded. In important respects, capital is going through a metamorphosis.

Technology is having this effect partly by "miniaturizing" capital. The computer power that once filled a room now sits neatly on my lap. The work of three or four old fly-shuttle looms, each the size of a small car, can now be done by a single jet-air loom that takes up one-third the floor space and greatly increases the quality of the fabric produced. Firm records that once were crowded into file drawers now can be etched on chips or the back of credit cards. Plants that once rose several stories, spanned hundreds of acres, and employed thousands fit today in one story on a one-acre concrete slab and employ fewer than 100. While Fortune 500 firms lost 2.8 million jobs between 1980 and 1986, 10 million were added in the economy. Virtually all the employment growth on a net basis occurred in companies with fewer than 100 employees, not the industrial giants.

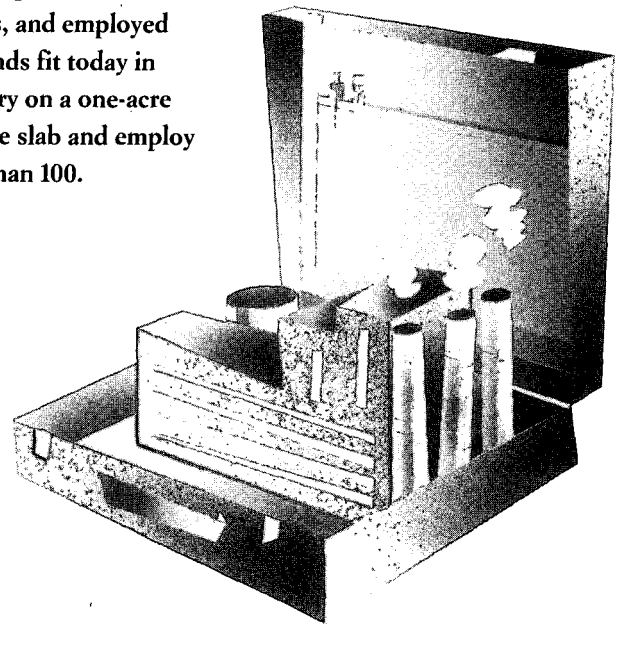
Everywhere, the economy is down-sizing as firms reduce the size and scope of operating units. In a 1988 *Business Month* survey of CEOs, 39 percent indicated that they had down-sized their companies over the previous two years and half of them expected to continue the process.

In no uncertain terms, the trend is now toward "*de*-economies of scale," getting a much more productive bang in smaller-size plants and equipment. The trend is so pronounced that a Texas computer manufacturer boasts of its tailor-made computers with the slogan, "Mass production in runs of one."

In becoming smaller, less visible, and less tangible, capital has also become vastly more mobile. When the dollar fell in value relative to the yen, for example, Ricoh quickly shifted photocopier production to the United States; Sony ships products to Europe from plants in Alabama and Florida; and Honda is even planning to ship made-in-Ohio cars back to Japan.

The nature of capital is changing drastically in other ways, too. With machinery giving way to circuit boards and production becoming far more sophisticated and complex, specialization of capital and labor has escalated. Human capital has become a relatively more important source of economic power: in 1950, 6 percent of the U.S. population had completed four or more years of college; by 1986, the percentage had more than tripled, to over 19 percent. Of course, skilled workers possess a good deal of human capital, as well, and all workers have some human capital.

Plants that once rose several stories, spanned hundreds of acres, and employed thousands fit today in one story on a one-acre concrete slab and employ fewer than 100.



One of the most interesting and unrecognized political distinctions between human and physical capital is that the human version can pick up and walk out on its own, whereas physical capital cannot always move so readily. In addition, the spread of human capital through education means that capital under democratic capitalism has been given more votes and therefore more protection from abuse by majoritarian politics.

Information, now no more physical than the electronic blips on a computer disk or tape, has become a decisive capital asset. But information remains fluid, easily converted to electromagnetic fields, difficult to contain in any one place, and ready to leap whole continents via satellites.

As information becomes more critical, companies are changing internally. The firm has always been useful because it enables people to work together with relative ease. When communicating at a distance was difficult or costly, people had to be in close proximity—even in the same building and on the same floor. Personal contact was then the cheapest way to maintain the constant and necessary interchange of information and to ensure cooperative efforts between the managers and the managed. A hierarchical structure suited these needs.

"Togetherness" is not about to disappear from the workplace. However, modern technology that reduces communication and transaction costs also enables firms to rely, at least marginally, less on internal command structures and more on external market transactions. Firms can break up geographically and spread their production units across government jurisdictions in this country and abroad. The new information technology permits the emergence of the "hollow corporation"—a highly mobile firm that itself owns little capital but "produces" goods by relying on outside suppliers.

With the stroke of a few keys in an office, on a boat, or at a mountaintop retreat—and for the cost of a telephone call—modern managers can, via satellite, send hundreds of pages of crucial firm-specific information on design or costs or schedules to virtually any point on the globe at almost the speed of light. They can shift the world's physical capital stock, or the use of it, across national boundaries at the speed of light.

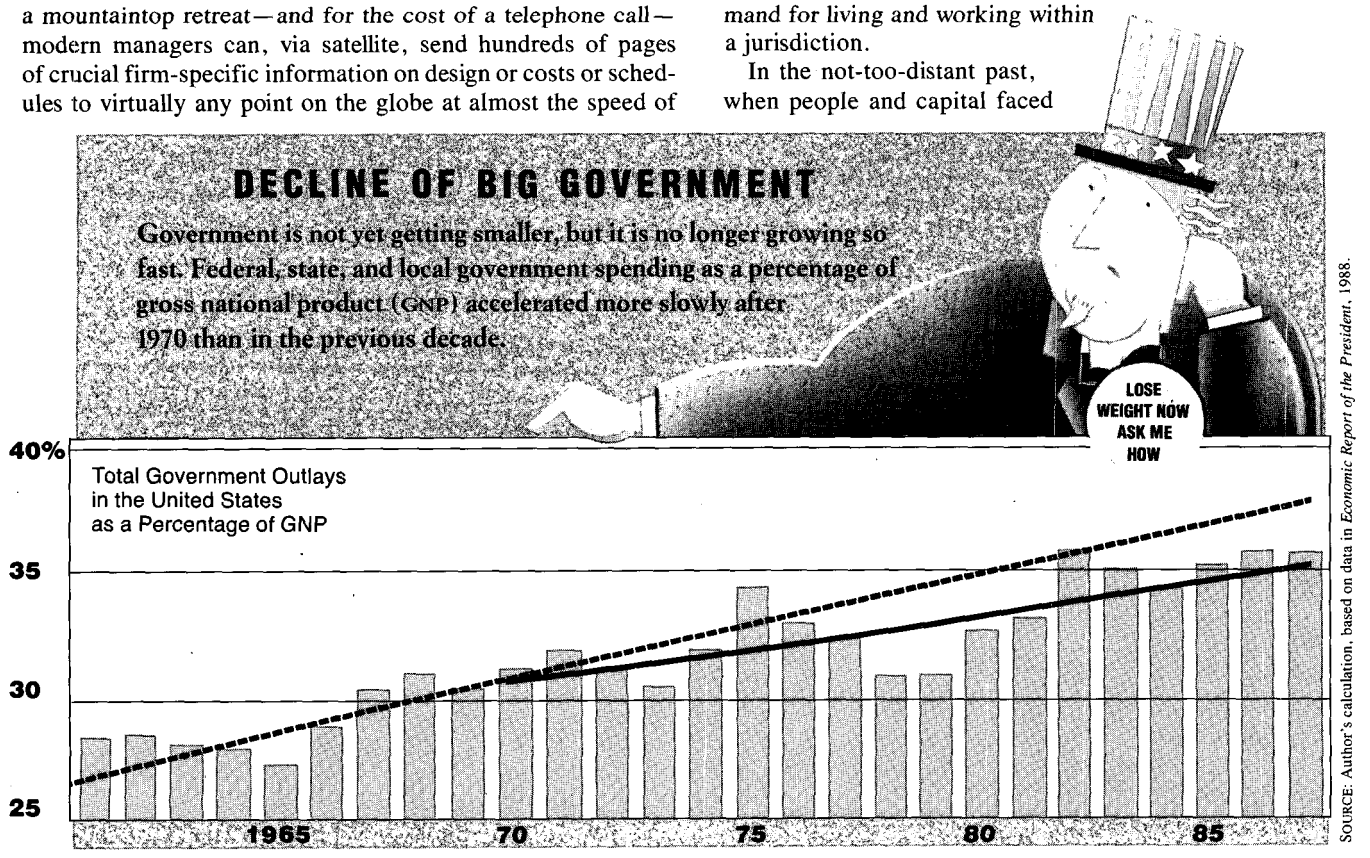
Modern managers can thus escape the reckless authority of governments to regulate and control. The emerging technology enables managers to say, if so inclined, in so many words and deeds, "I'm mad as hell and I don't have to take it any more."

All these changes are forcing legislators to think carefully about economic, and not just political, constraints on their governing. Legislated policies can influence people's willingness to work, save, and invest within the confines of the politicians' governmental jurisdiction. So political aspirations, seemingly played out solely under the rules of ordinary politics and untainted by economic constraints, are increasingly subject to the electorate's propensity to move elsewhere or "vote with their feet"—or, more to the point, to remove not just their bodies and their votes but their income and their capital.

People have some demand for earning their livelihood and holding their capital in any given government jurisdiction—Maryland compared to Utah, or the United States rather than Taiwan. How much income they want to earn and capital stock they want to hold in a jurisdiction depends on a host of factors, not the least of which is the "tax-price" on income and capital and the implicit cost of regulations, interest rates, inflation, and so on imposed or caused by governments.

People's responsiveness to changes in taxes and in the cost of control depends partly on how easy it is for them to move themselves or relocate their capital. Governments must now understand an important economic principle: the greater the ease of relocation, the more responsive will be people's demand for living and working within a jurisdiction.

In the not-too-distant past, when people and capital faced


DECLINE OF BIG GOVERNMENT
Government is not yet getting smaller, but it is no longer growing so fast. Federal, state, and local government spending as a percentage of gross national product (GNP) accelerated more slowly after 1970 than in the previous decade.
LOSE WEIGHT NOW ASK ME HOW
40%
35
30
25
Total Government Outlays in the United States as a Percentage of GNP
1965
70
75
80
85
SOURCE: Author's calculation, based on data in Economic Report of the President, 1988.

substantial technological and economic barriers to relocation, legislators could reasonably assume that raising taxes in their jurisdictions would generate more revenues. Legislators could concern themselves mainly with assessing the need for additional revenue and determining whether the coalition of voters that supported them would be sufficiently upset by a tax increase to turn them out of office.

Today, however, legislators face a growing economic constraint. Escalating technological changes that boost the mobility of people and capital have increased the responsiveness to changes wrought by government. Now, legislators have to worry that a tax increase will drive people and capital away, cutting into tax revenues (especially in the long run).

People, who hold a great deal of capital on their persons, can move more readily at lower cost. And the knowledge (capital) that people have is difficult to confiscate before movement. With telephones, fax machines, and computers, people and their plants are not as bound by geography in the conduct of business as they once were. They can more easily pack up and ship out their capital, the critical components of which may be on disks or chips that can be manipulated with a computer no bigger than the one on my lap. Production orders can be readily switched with the stroke of a few keys to suppliers in other government jurisdictions that offer capital more favorable treatment.

To be effective in tempering the power of governments, the accelerating mobility of capital need not actually result in more movement. Legislators around the world need only recognize the threat of mobility. They need only realize that they must help businesses be competitive by making their own policies competitive. The political result should be less enthusiasm from politicians for more and more government funded by higher taxes.

We are today seeing the types of policy movements expected in a world of growing human and physical capital mobility. Policies that are under way or being debated include:

- Incorporating "supply-side incentives," such as lower marginal tax rates on individual and capital income.
- Making government bureaucracies and regulations meet cost-effectiveness and efficiency tests (including workplace-health or environmental regulations).
- Curtailing industry regulation—of airlines, trucking, banking—that restricts the adaptability of capital to market needs.
- Privatizing various government functions, from passenger train service to street sweeping.
- Devolving federal services to state and local governments, where the level and quality of service can be determined by competition among governments.

In general, among policymakers who see a need to make America "competitive" again, a growing number grasp the potential of releasing constraints on capital and income.

Of course, the general policy trend in the United States is partly attributable to the intellectual heritage or political dogma of particular public personalities, not the least of whom are Ronald Reagan and his early economic advisors. It is also partly grounded in decades of experience with flawed, overly aggressive government attempts to solve every social ill.

Yet concern for the country's competitiveness appears to be too broadly grounded in all segments of the political spectrum to believe that politicians and policymakers do not sense that their very own livelihoods and power bases, achieved through government, can be secured by making governments more competitive. Constant talk of the "globalization of markets" and the "integration of the world economy" speaks to governments' loss of control and monopolistic power over what is produced where. To succeed, policymakers must adjust their authoritarian inclinations—downward.

More than two centuries ago, the Founding Fathers understood the restraining influence of competition among governments. James Madison, for example, saw the two houses of Congress as a device for restricting the policymaking process, not for facilitating it. Likewise, ensuring the states' political independence would unleash the forces of competition, limiting states' power to tax and therefore to expand.

Granted, governments have grown in spite of the protections that Madison and the other Founders tried to incorporate in the Constitution. Succeeding governments had the luxury of increases in demand for government services and the growing economies of production scale that effectively immobilized capital and people. That, however, is no longer the trend.

The message buried in modern technological developments is that the world is in effect becoming federalized, relentlessly, in a rough and ready way. Because countries are now forced, or will soon be forced, to compete with one another, they must search for ways to retain and expand their tax bases. Already, modern capital can jump national boundaries with far greater ease than capital could jump state boundaries when Madison wrote his *Federalist* essays in the 1780s.

Support for the central thesis of this commentary can be found not only in the rhetoric of government policymakers around the world—including Mikhail Gorbachev talking up a restructuring of the Soviet economy. Preliminary evidence can also be found in the declining rate of growth of governments.

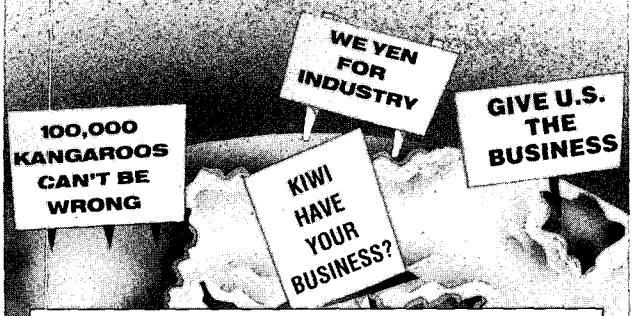
Consider the figure on page 24, which charts the combined growth of all governments (federal, state, and local) in the United States. The bars record total government outlays as a percentage of U.S. gross national product (which may be construed as the average tax rate). The dotted line plots the 1960-70 trend in the ratio of government outlays to GNP and projects it into the future. The shorter line plots the trend in the ratio from 1970 to 1987.

Obviously, government expenditures as a percentage of GNP grew throughout most of the period, but it is equally obvious from the lower trend line that the growth of government relative to national production began to slow in the 1970s. Indeed, in the 1970-87 period, the average annual rate of growth (0.8 percent) was cut to virtually half the rate of growth in the 1960-70 period (1.5 percent). (When the time periods for the two trend lines are changed to 1960-75 and 1975-87, much the same pattern is revealed.)

Government in the United States is not, or not yet, getting smaller in absolute terms. Furthermore, the slower pace of growth may be consistent with alternative hypotheses (for example, the controlling majority in Congress has shifted, resulting in more-conservative governments, or government has shifted its burden from expenditures to regulations). None-

COMPETING TO CUT

Modern capital can easily move to the most friendly climes. This may explain recent and proposed tax cuts around the world.



Country	Lowest and Highest Personal Income Tax Rates 1985	1986-90
Australia	**30-60%**	**24-29% (1987)**
Denmark*	**50-73**	**50-68 (1987)**
France	**5-65**	**5-50 (1988)**
West Germany	**22-56**	**19-53 (1990)**
Ireland	**35-65**	**35-58 (1986)**
Italy	**18-65**	**11-56 (1988)**
Japan	**10.5-70**	**10-50 (1988)**
New Zealand	**20-66**	**15-48 (1986)**
United Kingdom**	**30-60**	**27-60 (1987)**
United States	**1-50**	**15-28 (1988)**
Average	**23-63%**	**21-52%**

* Includes tax to primary and county authorities and church tax.
** Up to 1979, top tax rate was 83% on earned income and 98% on investment income.
SOURCE: Vito Tanzi, "The Response of Other Industrial Countries to the U.S. Tax Reform Act," *National Tax Journal*, Sept. 1987.

theless, these numbers offer at least preliminary evidence, and some hope, that competitive pressures on governments are building and may in fact cause a continuing relative, if not absolute, decline in government at some point in the future.

The rest of the industrialized world shows a similar pattern. Government outlays as a percentage of gross domestic product (GDP) in Japan peaked in 1984 at 34 percent and fell slightly in 1985 (the last year for which data are available). Outlays in Canada as a percentage of GDP were virtually flat, at 46 to 47 percent, between 1982 and 1984. In the United Kingdom, the trend was also flat or slightly downward in the early 1980s, going from 48.7 percent in 1981 to 47.7 percent in 1985. The trend in West Germany has been flat since the middle of the '70s, moving between 48 and 50 percent. Australia and almost all smaller European countries follow much the same path. Of the major industrialized countries, only France and Italy have not tempered the growth in outlays as a percentage of GDP.

Direct evidence that countries are being forced to compete with one another can be found in the response of major governments around the world when the United States lowered its marginal tax rates (see table above). Except for the United Kingdom, all the industrialized countries significantly reduced tax rates starting in 1986. (And the United Kingdom had already lowered its highest marginal tax rates on earned income from 83 to 60 percent between 1979 and 1985.) Overall, countries reduced their highest tax rates by over 11 percent, from an average of 63 percent to 52 percent. And most of the countries either have reduced or plan to reduce tax rates on corporate income, as well.

In recent years, tax competition has been extended to many newly developing and less-developed countries, also. Economist Alan Reynolds reports significant marginal tax-rate reductions in Singapore, South Korea, the Philippines, Indonesia, Turkey, Jamaica, Colombia, Bolivia, Mexico, Grenada, Botswana, Ciskei, Mauritius, India, Israel, and China. Why did these countries lower tax rates? Reynolds wrote:

"Countries, like companies, must compete in producing the most value at the lowest possible cost. Taxes are an important part of the cost of production, as well as the cost of living. ...It is relatively insignificant whether taxes are direct or indirect, corporate or personal. Capital and labor bear all taxes, either through lower incomes or higher prices....Any country in which the marginal cost of government is not competitive will experience a loss of both real capital (a capital outflow) and human capital (a 'brain drain')."

Admittedly, the analysis here is replete with optimism. Perhaps it is too optimistic. After all, the flattening of the growth in government outlays relative to national production may be a temporary phenomenon, attributable more to a rapid expansion of production on a worldwide basis than to discretionary fiscal restraint on the part of governments. Economic nirvana is hardly just around the corner of technological development.

Yet theory and evidence appear to be reinforcing one another. Fundamental economic forces that transcend national boundaries may actually be in the process of checking, albeit marginally, the enormous power of government to tax and regulate. Governments may very well become weaker, at least relatively and marginally, and for good reason. Politics will likely become less important, albeit slightly, in shaping people's affairs. The political process will be constrained by the growing mobility of people, capital, and goods and services.

These economic forces suggest that in the future, fewer resources may be used in private efforts to manipulate government policies; more resources will then be available for producing the goods and services people around the world need and want. More and more, politicians' ambitions will be checked not by ideology (or the lack thereof) but by the threat of shifting income bases.

World governments cannot be expected to "lie down and play dead" in the face of growing competition among governments. Bashing of Japan, Taiwan, Korea, and many other countries will continue to be the natural rhetorical game in Washington, for example. Politicians can be expected to seek ways of disguising the cost of new and expanded programs (mandated benefits, minimum-wage hikes, etc.). They can also be expected to seek methods of "international cooperation" in policy formulation—that is, to form cartels, much like OPEC, in an attempt to jointly contain the growing mobility of capital across national boundaries.

In doing so, however, governments will likely be swimming against the more powerful undercurrent of technological development. Governments may mitigate, but they will not be able to totally negate, their net loss of the political power to tax and control. And therein lies a technology-driven liberation: individuals will be more able to do what they want to do. r

Richard B. McKenzie is a professor of economics at Clemson University and the author of The American Job Machine. *This article is adapted from a policy analysis prepared for the Cato Institute.*

Libertarians Belong in the GOP

BY ERIC GARRIS

The Republican Party is undergoing a generational transformation that will soon lead to a battle for the soul of the party. Millions of younger voters, who are fiscally conservative and socially tolerant, were an integral part of George Bush's majority. Attracted in the '80s by the individualist rhetoric of Ronald Reagan, these voters stayed with the GOP because of Bush's promises to reduce the deficit and not raise taxes. But these voters have yet to take their rightful place within the Republican Party.

With the conservative movement in disarray, the New Right is leading the charge to put intolerance on social issues and revival of the Cold War at the top of the GOP agenda. Instead of broadening the party, such a move would narrow it by excluding the key to the new Republican majority. Libertarians are in a unique position to push forward the political realignment that began with the Reagan election of 1980—and in the process redirect the Republican Party to its historic roots as a party of individual rights.

In 1984 two political scientists, William Maddox and Stuart Lilie, published a thorough and groundbreaking analysis of American political divisions, *Beyond Liberal and Conservative: Reassessing the Political Spectrum*. They reanalyzed years of polling data and, on the basis of answers to a number of issues questions, reclassified individual poll respondents into categories of *liberal* (pro-civil liberties, anti-free market), *conservative* (pro-free market, anti-civil liberties), *populist* (anti-freedom on both), and *libertarian* (pro-freedom on both).

Party identification by the ideological groups is revealing. Of libertarians in 1980, 38 percent identified themselves as Republicans, 17 percent as Democrats, and 45 percent as independents. In addition, looking at the ideological groups' 1980 strength within the GOP shows libertarians with 29 percent and conservatives with 27 percent (compared to 18 percent populist and 13 percent liberal).

Maddox and Lilie believe that those of a libertarian bent hold the key to control of the Republican Party. The GOP survey group, they noted, "is surprisingly divided, with almost equal numbers of conservative and libertarian supporters." Although this division is not reflected in GOP platforms and candidates, "the potential for future conflict is obvious," they observed. "As libertarians become more aware of their strength and consider the Republican Party as a possible vehicle for their views, there could be a split comparable in intensity to the old conservative/moderate split that dominated the party's presidential politics in 1952 and again in 1964."

If libertarians do rise to the occasion, they argue, "In the future there could be true ideological clashes again, as younger libertarians within the party attempt to move it away from social conservatism. Neither libertarians nor conservatives can dominate the party on their own; therefore any presidential candidate would have to build an uneasy alliance with one of the small liberal or populist wings of the party."

The libertarian group clearly holds the key to the independent voters. Independents make up a growing portion of the electorate, and about one-fourth of them are libertarian. This group could be drawn into the GOP via its pro-freedom wing, which should also be able to attract small segments of both the liberal and conservative wings of the party and possibly the 7 percent of the Democratic Party that is libertarian. Such an alliance could not only lead the party into the future but make the GOP the majority party.

The dilemma for libertarians, as for populists, is that although the American political spectrum can be cut four ways by ideology, ours is a two-party system. As a result, wrote Maddox and Lilie in 1984, libertarians "may well have a diluted impact for some time, as some try to create a strong libertarian wing in the Republican Party, others commit to the Libertarian Party, and still others remain frustrated at the possibilities of either of these routes being successful."

The libertarian electorate needn't be led by empty rhetoric, nor left out in the cold by a third-party strategy that cannot work in our system. An organized and visible libertarian political force within the GOP can change that.

The third-party approach has been tried now through five presidential elections, and partisans of the Libertarian Party need to come to grips with the failure of this strategy. As difficult as libertarian political ideas are to sell, they are not nearly as unsalable as the third-party strategy itself.

New and minor political parties in the United States have the worst electoral record among 20th-century Western democracies. This does not remain so by chance, but it is a reality that must be faced. Even if their ideas are not unfamiliar, unpopular, or "too radical," American third parties take on five major problems in convincing people to support them:

- Restrictive ballot-access laws soak up at least half of all campaign money and efforts.
- The media, the voters, and usually even the candidate know that he or she is not going to win, so the party's support is limited to protest voters.
- Voters fear "wasting a vote" even in protest—if enough people protest, it may drain so many votes from the major candidate closest to their position that the candidate loses.

• Voter loyalty to the major parties and the two-party system is strong and shows no sign of eroding in the near future.
• The media, nonpartisan groups like the League of Women Voters and PACs, and most community groups traditionally ignore minor parties.

Some third parties have achieved limited and brief success acting as the political arm of an ideological movement. Most supporters of such movements, however, quickly abandon the third-party approach in favor of the far more successful strategy of organizing within the existing two-party structure. Fifty years ago, for example, American socialists learned that they could attract a larger following and achieve much greater success as part of the Democratic Party. That party has been largely transformed as a result.

What the socialists discovered is only now being realized by some libertarian activists: that it is far easier to get people to change their minds about ideas than it is to get them to vote for a third party embodying those ideas. Marketing the ideas of individual liberty in a third-party package makes them appear to be what they are not: exotic, removed from the problems of ordinary people, and completely out of the mainstream of American politics.

As Maddox and Lilie's analysis shows, and the widely remarked Reagan realignment confirms, the ideas espoused by libertarians are capable of striking a deep resonance among Americans. A 1988 Times Mirror/Gallup survey breaks the electorate down into 10 groups, with the "enterprisers" (probusiness, antigovernment, socially tolerant) being the most loyal GOP voters.

The point is not lost on the Republican Party establishment. As Lee Atwater, Bush's campaign manager and now the GOP's national chairman, conceded last fall: the new, younger Republican voters "are not liberal on social issues. They are libertarian, meaning tolerant. The whole notion of tolerance is very, very important. We Republicans need to establish that we are a tolerant party. If we got to the point where the so-called far right of the party was perceived as being dominant and on social issues being intolerant, then it would cause a big problem with baby boomers."

Libertarians have a prime opportunity to exert a powerful influence within the Republican Party to ensure that it is indeed a party of tolerance. If this strategy is successful, it will also break the deadly link in 20th-century American politics between civil liberties and the welfare state, between respect for individual rights and interest-group politics.

Since 1980, many candidates have successfully courted libertarian voters but have given them little in return. It is taken for granted by political leaders that, as Ronald Reagan showed, a dab of libertarian rhetoric is sufficient to ensure their loyalty. But the libertarian electorate needn't be led by empty rhetoric, nor left out in the cold by a third-party strategy that cannot work in our system. An organized and visible libertarian political force within the GOP can change that by running and electing candidates, participating in local and state GOP conventions and events, and promoting libertarian principles to young activists who are hungry for ideas but never would have been reached by a third party.

Underlying this strategy is the assumption that American political parties, unlike their European and Latin American counterparts, are only ideological in the broadest sense. The real ideological forces are the subgroups within the two parties: the conservative wing of the GOP, the Democratic Leadership Council, Jesse Jackson's Rainbow Coaliton, the Moral Majority, the Democratic Socialists of America, etc.

Implementation of this strategy, therefore, requires that libertarian activists shift their attention from the general election to the primaries. This is where the real battle for the future of the nation takes place: an arena dominated by competing factions, each vying for a position of influence—not unlike the jockeying for power among multiple parties in other Western democracies. At this level, the ideas of small, well-organized ideological groups can count a great deal.

An organized libertarian Republican movement can and will make demands of party leadership and candidates. It can challenge social conservatives and economic moderates for ideological and political control of the party. Just as the social conservatives are contending for the soul of the party, so can libertarians. To do so effectively, they must be as vocal and visible as the forces of the New Right who have had an impact all out of proportion to their actual numbers.

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Libertarian Is an L-Word, Too

BY RICHARD DENNIS

It might seem incongruous to suggest that Democrats and libertarians forge an alliance. It is clear that libertarians vote Republican far more than they vote Democratic. But I consider myself both a libertarian and a Democrat, and I can envision an eventual compromise in which Democrats accept more classically liberal economics and libertarians give more weight to the Democratic Party's liberal views on social issues and foreign policy.

The points of agreement between libertarians and liberal Democrats are greater than most people think. Both, moreover, have a common interest in fighting a recurring American political phenomenon—populism.

California's elections last November provided a glimpse of the kind of future that populism could create. Two ballot propositions symbolized the two faces of populism—economic socialism and social traditionalism.

Despite a $60-million campaign by the insurance industry, voters approved a measure, backed by Ralph Nader, to cut insurance rates 20 percent and step up state regulation of insurers. A second measure, requiring doctors to report the

names of AIDS patients, had also won a place on the California ballot; although it failed, public fear of AIDS could spur similar assaults on civil liberties elsewhere.

Too often, Democrats have been associated with the kind of economic populism represented by the insurance referendum. Democrats should not confuse their belief in helping the poor and curbing corporate irresponsibility with dictating by ballot our insurance rates—or salaries or rents. The concept of "economic democracy" is just plain wrong. Fortunately, it is increasingly rejected by a new generation of Democratic leaders.

Not to be outdone, the Republicans have become the party of *social* populism. The AIDS referendum is just one by-product of the social intolerance created by their ascendancy to power. Proposals to test widely for drug use is another, as is near-hysterical opposition to immigration of non-Europeans.

Libertarians have to do more than pay lip service in protest against such conservative denials of individual liberty. When pressed, libertarians seem to mouth the right words, but they often don't know the tune. Meanwhile, the Republican Party grows stronger by supporting a growing young cast of "new right" politicians committed to a radical, antilibertarian social agenda—people like conservative funding mogul Paul Weyrich and Reagan policy advisor Gary Bauer and, in Congress, Reps. Robert Dornan (R-Calif.) and Newt Gingrich (R-Ga.).

If libertarians upgrade their concerns about social issues and Democrats devalue the role of government considerably in economics, they can stand together against the radically wrong conception of man and government that populism provides.

George Bush, with his flag-waving, ACLU-bashing campaign for mandatory pledges and classroom prayer, carried on the recent Republican tradition of social populism. In fact, the great conservative political gains of the last 20 years may have empowered the intellectual heirs of Barry Goldwater and Ayn Rand, but most of those gains came by adopting the attitudes of Archie Bunker and George Wallace.

Although Michael Dukakis did finally succumb to temptation and exploit his party's historic indentification with economic populism, he resisted longer than past candidates—a signal that the party may be ready for fundamental changes. Libertarians can help Democratics break their nasty habit of relying on class warfare to galvanize voters. Neo-liberal, pro-market Democrats like Sen. Bill Bradley (N.J.) and former Arizona governor Bruce Babbitt need help from outside the party—to provide an alternative to the easier votes to be had by resorting to the demagoguery of politicians like Richard Gephardt and Texas agricultural commissioner Jim Hightower.

Libertarians can have a significant effect the way any group with a clear agenda can influence politics within a two-party system. Those who are so inclined should be selecting the most amenable Democrats in Congress and working on their staffs. They should be showing up at Democratic functions and pushing themselves into Democratic policy-setting forums. And they should be concentrating presidential campaign efforts at the maximum point of leverage—the primary level. There, they can operate as an interest group, demanding a hearing on their issues and putting up sufficient funding to carry it through to the point of supporting a candidate who "gives" them enough.

Libertarians have grown complacent to the threat of social populism, perhaps because the Reagan administration successfully advanced much of its economic agenda while appearing to pay only lip service to its reactionary social agenda of abortion restrictions, blurred church-state relationships, and curtailed civil rights and civil liberties. Whatever the reason, libertarians seem to be drifting toward an accommodation with the Republicans and becoming, in effect, a wholly owned subsidiary of the GOP.

Such an accommodation is, in my opinion, extremely dangerous. The aid and comfort libertarians offer the GOP now could haunt them later. Imagine a George Wallace–style Republican who weds the social populism of the 1988 Bush campaign with the economic populism of Democrat Richard Gephardt's early 1988 Iowa primary effort. The potential for statism is chilling.

I am a libertarian, but I gave money to and voted for Michael Dukakis. That may seem strange, but *libertarian* is an L-word too. If economics were all that mattered, perhaps those who want less government and more freedom would be wise to work within the Republican Party. But from the standpoint of individual liberty considered as a whole, I would argue, the Democratic Party offers greater potential.

On two of the three principles advocated by libertarians—free-market economics, laissez-faire social tolerance, and noninterventionist foreign policy—the Democratic Party stands closer to libertarian thought than the Republicans. Democrats are identified with the right to personal privacy, with clear separation of church and state, and with a foreign policy based far less on the expensive premises of superpower conflict and far more on promoting human rights and democratic regimes.

Defeats in five of the last six presidential elections, moreover, and the fiscal realities of massive budget deficits, have at last forced Democrats to start reexamining many of their interventionist economic doctrines. It's true that the Democratic Party will never be the party of pure free-market economics; but then, neither will the Republicans. After all, the Reagan administration gave us the 1981 tax act with its targeted subsidies for heavy manufacturing at the expense of high-growth industries, an extraordinary increase in farm subsidies, big-bank bailouts, and automobile import quotas.

Like many other people who have not found a true home in any of the political parties in this country—including the Libertarian Party—I believe that government in the modern world does have a role to play in the economy, albeit a much smaller one than either major party is currently willing to allow. "Pure" libertarians argue that government shouldn't play any role in the economy, but this assumes a world that doesn't exist—a world in which no collective action is required to

maintain civilization and maximize individual potential; a world of atomistic individuals always operating with rights but without responsibilities.

I am a libertarian because I too believe that rights generally exist without responsibilities, that reason is a better guide in living than tradition, that individualism is a better political philosophy than collectivism. But I also believe there are public goods and just enough truth to the generally exaggerated claims of interdependence that the paradigm of independent atomistic individuals interacting voluntarily breaks down at the extreme.

Simple majoritarianism is a principle of unsurpassed ugliness, but limited democracy has to be our first political premise. I can envision no other persuasive, philosophically coherent principle around which to organize the state. I hate laws against crimes that have no victims. But, abhorring absolutism, I would rather argue against them by characterizing them as inconsistent with a constitutional democratic republic with a strong bill of rights and a long history of respect for privacy, than argue against them as impermissible in principle. Since libertarians cannot plausibly insist on purity in the application of their principles, they should instead fight for the principle of "super majoritarianism"—a requirement of no state intervention in the absence of a very strong societal consensus.

It's true, for example, that redistribution of income will result in less of it. But there is also a well-established consensus that a minimum level of income is essential to a civilized society. There is at least some truth to the argument that individual initiative cannot flourish if the social fabric is frayed beyond repair. A sense of the basic fairness of the economic system is essential to the preservation of a stable, reasonably pleasant climate in which to live, work, and play.

Libertarian opposition to all forms of government regulation also runs into real-world roadblocks. For example, the separation of ownership and management of the modern corporation undermines the self-regulation argument. In theory, a car manufacturer's success in the marketplace depends on customer satisfaction, so self-interest will lead to safe cars without any government auto-safety regulations. In practice, however, a car company executive whose job depends on meeting an annual growth quota has a powerful incentive to compromise a bit on safety if it will hold down the price to the car buyer, even though the actual owner would never take such a risk because of potential liability for resulting accidents.

Since Democrats seem to be moving to more free-market-oriented economics, I believe libertarians should meet them half-way. Where we land on issues of the welfare state and corporate regulation should be less a theological argument and more a practical exercise in problem solving. If libertarians are willing to move on these issues, then they can start putting their mouths and their votes where their ideals are on social and foreign policy—with the Democrats.

Liberals and libertarians have closely parallel views of man—favoring more individual freedom and valuing rationality more highly than traditionalism in human affairs. I believe they should blend their views of the role of government. Government is not a beast that should be starved, nor is it a finely tuned instrument of great practical use. Libertarians should upgrade their concerns about social issues that affect individual liberty, and Democrats should devalue the role of government considerably in economics. Then they can stand together against the radically wrong conception of man and government that populism provides and that the Republican Party increasingly favors.

Richard Dennis, recently retired from the futures industry, is a Democratic Party activist and a member of the Cato Institute board.

Is the Party Over?

BY DAVID F. NOLAN

Nineteen eighty-nine is not 1971. The conditions that led to the formation of the Libertarian Party no longer prevail, and the role of a third party as a vehicle for achieving Freedom in Our Time needs to be reexamined.

In 1971, Americans were in the middle of a protracted period of dissatisfaction. The United States was bogged down in an unpopular war, National Guardsmen had killed four students at Kent State, a nominally conservative, free-enterprise president had just taken the dollar off the gold standard and imposed wage and price controls, and the 1960s' spirit of protest was alive and flourishing.

Many voters were questioning the validity of the two-party system. In 1968, George Wallace had received nearly 10 million votes as a third-party candidate, and many conservative Republicans were openly hostile to the Nixon administration.

The modern libertarian movement was in its infancy. In 1971, there was no established network of activists for liberty. The largest explicitly libertarian organization, Society for Individual Liberty, had barely a thousand members. There were hundreds of scattered discussion groups composed mostly of Ayn Rand fans, dozens of micro-circulation publications, and a horde of young laissez-faire advocates eager to *do something*. I know—I was one of them. The first meetings that led to the Libertarian Party's formation took place in my living room in the summer of 1971. Watching Richard Nixon's infamous "freeze" speech on TV at one such meeting crystalized our decision to go ahead.

The idea of launching a third party made great sense. Electoral politics provided the perfect soapbox from which to proclaim liberty, and the campaign process was an ideal "outreach" program, tailor-made for recruiting like-minded men and women of action.

Today, however, the situation has changed. We are now in an era of complacency. The welfare state has survived the "Reagan revolution" virtually unscathed and has been legitimized in the process. New assaults on civil liberties are mounted continually—usually in the name of the war on drugs.

Most people now seem perfectly happy with the two-party system. The Republicans appear to have a virtual lock on the White House, having won 7 of the last 10 presidential elections and lost 2 others (1960 and 1976) under unusual circumstances.

The Democrats have an equivalent hold on Congress; once

elected, a member of Congress is practically set for life. (An incredible 99 percent of the incumbent U.S. representatives who sought reelection in 1988 were successful.) The Democratic majority in Congress has become de facto permanent.

Libertarian candidates in partisan contests have a hard time breaking through the wall of indifference. And it's getting harder. I would say that LP candidates receive less attention, by and large, than they did in 1978 or 1980—probably mostly because the novelty has worn off.

Electorally, the Libertarian Party has had only minimal success. The national ticket received barely one percent of the vote in 1980, a quarter of a percent in 1984, and one-half percent in 1988.

The cost per vote has been remarkably consistent: about $4.00 to $6.00, after adjusting for inflation. This implies that to reach the statistically significant 3 percent level (where you start to show up in the polls, and thus get national media attention) a Libertarian candidate would need to spend about $15 million.

The party is the only major network of consistent freedom advocates, and libertarians would be foolish to dismantle it. But just possibly, they should consider changing it into something other than a political party.

But would this be a rational way to spend $15 million, assuming the party had it? And if libertarians don't have that kind of money, should they be playing that game?

To ask an even tougher question, is the Libertarian Party itself still a viable vehicle for change? Or should those who value liberty spend their time and resources elsewhere?

I have no pat answer regarding the presidential race. It is certainly arguable that national campaigns bring new funds into the libertarian movement, rather than competing with other worthy recipients. It is also arguable that libertarians need to hang in there and show the flag every four years so that when the country enters another era of dissatisfaction, the party will be there.

One conclusion I have reached, however, is that if the party is to continue mounting presidential campaigns, it should accept federal matching funds up to the amount it takes to carry on ballot drives. If the LP ticket had automatic ballot status in every state, as the Republican and Democratic nominees do, there would be no justification for taking matching funds. But to pay the ballot-access "poll tax" and then to refuse a refund is silly.

As to the value of the party itself, I think it is clear that libertarians still need a coherent, consistent voice for liberty in the political arena. The party is the only major ongoing network of consistent freedom advocates, and libertarians would be foolish to dismantle it.

Furthermore, any attempt to infiltrate the Republicans or Democrats is certain to be an exercise in frustration and futility. As just another caucus or special-interest group, libertarians would have little visibility or clout, and "invaders" are not likely to be given much say in party affairs until they have proved their loyalty by supporting party regulars in a number of campaigns.

As an aside, I would guess that if Ron Paul had entered the 1988 contest for the GOP nomination, rather than running as a Libertarian, he would have placed no better than fifth out of seven contenders: ahead of Haig and du Pont but behind Bush, Dole, Kemp, and Robertson. The Robertson campaign provides a good illustration of what happens to invaders—and he had a lot more troops than libertarians do.

The question still remains: What should the Libertarian Party do next? Again, I have no pat answer, but I will make some observations and suggestions.

First, it seems obvious that running candidates in partisan races is not the most cost-effective strategy. To the extent that the party continues to field candidates, it should concentrate on nonpartisan races where it can get people elected. Exceptions: races where there is an unusual opportunity to gain wide exposure for ideas, and those where a spoiler candidate could torpedo an especially loathsome major-party candidate.

Rather than running candidates, however, I believe the Libertarian Party can have more effect as an issue-oriented party—initiating, supporting, and opposing various ballot issues. The party's greatest successes to date have been in beating proposed tax hikes and the like, often working in collaboration with grassroots movements. Remember Proposition 13 in California in '78? Similarly, a relatively tiny group of reform advocates beat the insurance-industry giants in California in 1988. Libertarians keep saying that the American people agree with the freedom philosophy on a number of key issues. So the strategy is to choose an issue or two where that support exists, and go for it.

Which brings me to a point that some might consider heresy. I think there's a fair amount of evidence to support the assertion that the rather lengthy, rigidly ideological LP platform is a detriment to winning widespread acceptance. People who support the libertarian position on most issues are driven away by an insistence that they buy into a complete package.

Perhaps the time has come to dump the national platform and substitute a simple 5-point or 10-point program. That, plus the party's statement of principles and the preamble to the current platform, should demonstrate where libertarians stand.

And just possibly, libertarian activists should consider changing the party into something other than a political party. Perhaps, as we move into the 1990s, it should evolve into a nonpartisan advocacy group like Common Cause or the National Taxpayers Union.

A Libertarian Alliance could do things a party can't—issue periodic ratings of Congress and call attention to the members who got the highest and lowest scores. If this is done as a rival political party, nobody will pay any attention, but coming from a nonpartisan organization it might be effective.

There are numerous options open to the Libertarian Party. I hope that those who are concerned with the party's future will give them some serious thought prior to the party's national convention in September. r

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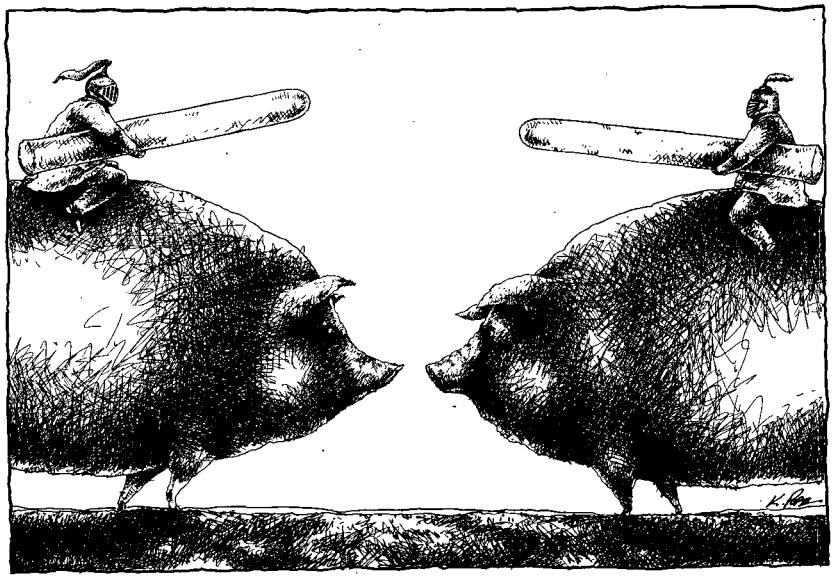
POLITICAL SCIENCE



Pork Invades the Lab

BY JOSEPH P. MARTINO

We're resigned to seeing Congress vote money for pork-barrel projects of all kinds: roads, dams, post offices, and military construction projects in the districts of influential legislators. This kind of vote-buying and pandering to special interests may disgust us, but it no longer shocks us.

Over the last six years, without any fanfare and with very little public notice, Congress has extended pork-barrel politics to a new domain: science. Universities have discovered that lobbying can be as profitable for them as it is for public-works contractors. With help from the right committee members, colleges that can't compete for merit-based research funds can reap millions in "earmarked" appropriations.

Some highlights of the last few years:

- By congressional mandate, the Interior Department will hand Brandeis University $3 million this year for a bioscience center.
- Last year's budget ordered the Energy Department to give $15 million to Children's Hospital in Pittsburgh, $12.7 million to the Mt. Sinai Medical Center in New York City, and $7.5 million to the University of Medicine and Dentistry in New Jersey.
- The 1987 Continuing Resolution included $60,000 for a Belgian Endive Research Center at the University of Massachusetts.
- In 1985, Rep. Wes Watkins (D-Okla.) and Sen. Alfonse d'Amato (R-N.Y.) directed $1 million each in Defense Department funds to their respective alma maters, Oklahoma State and Syracuse.
- That same year, Congress ordered the Department of Energy to spend $56.5 million for specific projects at nine universities.
- In 1984, House appropriations subcommittee chairman Sidney Yates (D-Ill.) slipped a provision into an appropriations bill to funnel $26 million for a laboratory to Northwestern University, which is in his district.

In 1985, Sen. Alfonse d'Amato directed $1 million in research funds to his alma mater, Syracuse University. Such pork-barrel science threatens both to weaken American research and to increase government spending.

Perhaps the greatest example of pork-barrel science is the Department of Energy's Superconducting Supercollider (SSC), which will be built at Waxahachie, Texas. The purpose of the SSC is pure science—to probe the interior of the atom—but the debate surrounding it has been pure politics.

For four years, state governments lobbied to get the SSC located on their turf. At stake were 4,500 jobs during construction and an initial operating staff of 3,000, growing to 6,000 in 10 years. During the debate over whether to go ahead with the $6-billion construction project, Rep. Don Ritter (R-Pa.), who has a science Ph.D. from MIT, complained that none of the lobbyists offered any testimony on the technical need for the SSC. They talked only about why it should be in their state. Nobody paid much attention to the many scientists who argued that the SSC shouldn't be built at all.

Pork-barrel science threatens both to weaken American research and to increase government spending. When it displaces funding based on merit with funding based on political pull, it undermines scientific excellence. When it doesn't, it simply raises the total level of spending.

Before 1983, all government research funds were allocated through a "peer review" process similar to the way scientific journals decide what to publish. Program managers in the National Science Foundation, the Defense Department, and other agencies had each grant proposal reviewed by researchers working in the same area. Top researchers got the money without regard to the influence of their local congressman—or even the prestige or political clout of their university. The scientific community as a whole played a major role in deciding which research to support and which not, by judging the merit of individual proposals. Money went to the researchers whose proposals satisfied their peers.

Competition among agencies to attract good proposals further restrained political favoritism. If an agency got a reputation for favoritism, top researchers would simply submit their proposals elsewhere. Thanks to this competition, no agency tried to cement its position with Congress by distributing the money the way the Agriculture Department does: geographically, based on the power of the representatives and senators on the various appropriations committees. (Although the Agriculture Department spends $560 million a year to fund research, much of the good agricultural work done today is paid for by seed, fertilizer, and farm-implement companies or by state governments through agricultural schools. In the early 1970s, the National Academy of Sciences reviewed the Agriculture Department's research programs and found them to be inefficient and of very low quality.)

Lawmakers, of course, have every incentive to make their constituents happy by funneling research money to institutions in their districts. Only recently, however, have universities pressured their representatives to do them such favors. This process began in 1983, when a Washington lobbying firm, Cassidy and Associates, succeeded in getting direct appropriations for laboratories at Columbia University and at Catholic University. Congress simply directed the Department of Energy to spend the money. The department hadn't asked for the

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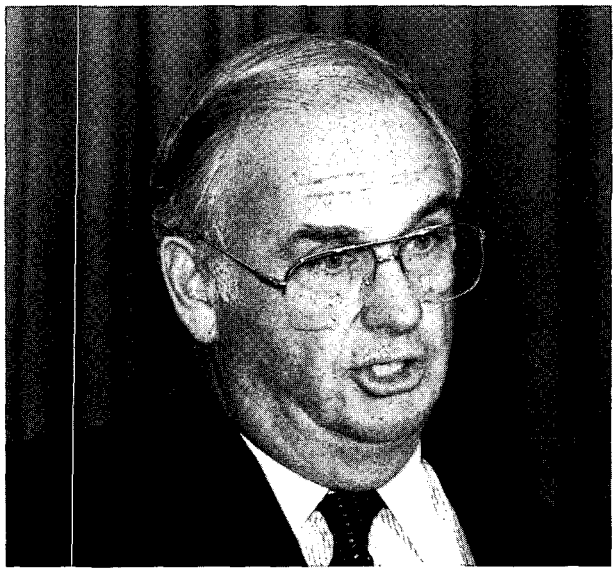
appropriation, and Congress didn't hold any hearings on the matter.

Other universities soon hired lobbyists to get similar goodies for them. The lobbyists delivered. In 1984, Congress made direct appropriations for laboratories at Florida State, Boston University, University of Oregon, Oregon Health Sciences University, University of New Hampshire, Boston College, and Georgetown University, plus follow-up grants to Columbia and Catholic University.

Despite vociferous protests from the scientific community, the process continues—even though Congress seemingly resolved to end it. In 1985, the Senate Appropriations Committee approved nine direct appropriations but stated in its report that "the Committee will not consider any future requests to earmark DOD research and development funds for specific research projects that have not gone through competitive, merit review processes without specific authorization." The commitment didn't last long. On the very next page of that report, the committee added a project for Arizona State.



Former senator Lowell Weicker complained that if a senator were not permitted to get funding allocated to his state, "then there is not much point in having an appropriations committee or indeed to act as a U.S. Senator."

In June 1986, Sen. John Danforth (R-Mo.) tried to amend a supplemental appropriations bill to remove pork-barrel research items. The debate on Danforth's amendment revealed how Congress felt about such appropriations and the standard peer-review process. "When did we agree that the peers would cut the melon or decide who would get this money?" asked then-Sen. Russell Long (D-La.), who obviously considered the money not a way to buy good research but simply a gift. In the 1984 Deficit Reduction Act, replied Danforth, Congress had declared that government grants should be awarded competitively; in the case of basic research, that meant peer review. Asked Long, "Am I to understand that...Congress said we are not going to have any say about who gets this money?" Then-Sen. Lowell Weicker (R-Conn.) added, revealingly, that if individual senators were not permitted "to make a case for circumstances within the state, then there is not much point in having an appropriations committee or indeed to act as a U.S. Senator."

Long's and Weicker's arguments carried the day, and Danforth's amendment went down on a 56-42 vote. A similar fight, with similar results, took place in the House a month later. "We are being asked for Congress to delegate its responsibility to those peers to handle most of the research money in this country," argued Rep. Tom Bevill (D-Ala.). "Let us let the Congress handle a little of the money."

A few months earlier, three staff members of Cassidy and Associates had made contributions of $3,000 to Bevill. His committee had proceeded to award money to four universities represented by that firm, according to a report in *The Scientist*, a national newspaper for scientific professionals. It would be sheer speculation, of course, to postulate a connection between the two events. Nevertheless, they fit the traditional pattern of pork-barrel politics. A few thousand dollars invested in campaign contributions return millions of dollars in appropriations. No private-sector investment can match that rate of return.

Moreover, the contributions to Bevill were not unique. Federal Election Commission records show that Cassidy and Associates employees contributed over $5,500 to House Speaker Jim Wright in 1985. At that time, Wright was helping to obtain an earmarked appropriation for Boston University, another client of Cassidy and Associates.

Some lawmakers worry about undue pressure to allocate money directly to universities. Last year, Senate Armed Services Committee chairman Sam Nunn (D-Ga.) succeeded in stripping $46 million in earmarked grants from a defense appropriations bill. "I have had numerous schools in my own state ask the Senate Armed Services Committee to designate certain set-asides for their school. If we accept the earmarking...the pressures on every Senator to take care of his state's universities will be enormous," he said during the debate. "Is that what we want? To pit our schools against one another at the pork barrel?"

But it's unlikely that Nunn's success marks any real turning point. Apparrently, some Armed Services Committee members went along with his amendment only because they were miffed that they hadn't had the chance to approve the spending themselves; the bill had gone through the Appropriations Committee. "Next year, the lobbyists will probably just go through both committees," a Senate aide told *National Journal*, which noted that only unauthorized projects were removed from the bill while other pork-barrel grants stayed in.

Now that Congress has decided that fiber optics, integrated circuits, and supercomputers have the same status as military bases, dams, and post offices, there is no going back. We cannot depend upon the universities themselves to reject pork-barrel funds. No matter

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how strongly a university president believes in peer review and the allocation of research money on merit alone, he can't afford to turn it down while other universities line up at the federal trough. His board of trustees will replace him if he doesn't get his "fair share" of the loot. As Jerry Rochswalb, government relations director for the National Association of State Universities and Land Grant Colleges, put it, "One of these days, the chairman of the board of trustees will say to him [the university president], 'Hey, who made you a saint?' "

Only one university has had the grace to turn down a direct appropriation. In 1986, Senate Appropriations Committee Chairman Mark Hatfield (R-Ore.) tried to give Cornell University $10 million for a supercomputer—to be built by Floating System, of Beaverton, Oregon. In this case, Hatfield was trying to help his constituents sell a computer, rather than trying to help a university in his own state. Cornell President Frank Rhodes announced the school would not take money unless it was awarded as the result of competition on merit alone.

Most universities, however, have taken the attitude of Charles Coffin, director of government relations at Northwestern: "I'm not going to quarrel with both houses of Congress." In fact, the scientific community is now talking of accommodating itself to the process, rather than reversing it. The "Langenberg Committee," representing six associations of universities and chaired by Donald Langenberg, Chancellor of the University of Illinois at Chicago, recommended that a separate fund be established to pay for laboratories and equipment, as opposed to research, and that a formula be developed to provide preferential treatment for universities that haven't received much federal money in the past. This is the first step toward the complete politicization of research funding, in which the objective is to give everyone a "fair share."

Sen. Mark Hatfield tried to give Cornell University $10 million for a supercomputer—to be built by a company in his own state. Cornell has been the only university with the grace to turn down such direct appropriations.

Already, the Defense Department's University Research Initiative—intended to foster research related to defense needs—has been almost completely taken over by geographically based distribution. In addition, both the 1988 trade bill and the fiscal 1989 authorizations for the National Institutes of Health and National Science Foundation included funds for laboratory facilities with set-asides for "have not" universities—those that have not received their "fair share" of merit-based awards in the past.

For a whole generation, competition among agencies saved us from favoritism and pork-barrel funding of research, with the stagnation they would inevitably have brought. Now that Congress has voted resoundingly to put research into the pork barrel, the universities themselves are under pressure to get research money through politics instead of through merit. Competition among research funding agencies will now switch from assuring researchers of individual fairness to assuring Congress of "fairness" in geographic distribution of money—making sure each corner of the country gets its hunk of the science pie.

There is a very high risk that research in this country has reached its peak and will now start a downhill slide. As Frank Press, president of the National Academy of Sciences, wrote in 1984, pork-barrel science threatens to undermine "the evaluation and review system that has been responsible for the great strength of American science....it is in the long-term interest of a strong American science to use procedures that we all respect, and to resist special-interest political favoritism."

We can probably tolerate the waste of another $100 million a year in pork-barrel spending. That's less than 50 cents a year from each of us. What we can't tolerate is the destruction and corruption of our research enterprise. It's not just a matter of Nobel Prizes, and the prestige which comes with them. Our national defense, our health, and our economic growth in a highly competitive world depend on good scientific and technological research.

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But the slide down this route was inevitable. It's time to rethink the decision we as a nation made in 1945: that research money should come primarily from the federal government. By an accident of history we escaped the predictable consequences of that decision—favoritism, pork-barrel spending, and stagnation. Our good luck has run out.

We can't escape those consequences any longer. We need to find other ways to support good basic research, just as we have managed to find other ways to support good agricultural research.

Should we have tax credits? Should taxpayers be allowed to deduct research contributions as they now deduct charitable contributions? Do we need research foundations for astronomy, physics, chemistry, as we now have them for cancer and heart disease? Or is there some better way? The answers aren't clear yet. We need answers, though, and we need them soon if we are to preserve the research capability we built up over the past generation. r

Joseph P. Martino is a senior research scientist at the University of Dayton Research Institute.

CLASSICS IN LIBERTY

OUR SECRET DESIRES

Why We End Up With Trade Barriers

BY FREDERIC BASTIAT

Which is preferable for man and for society, abundance or scarcity?

"What!" people may exclaim. "How can there be any question about it? Has anyone ever suggested, or is it possible to maintain, that scarcity is the basis of man's well-being?"

Yes, this has been suggested; yes, this has been maintained and is maintained every day, and I do not hesitate to say that the *theory of scarcity* is by far the most popular of all theories. It is the burden of conversations, newspaper articles, books, and political speeches; and, strange as it may seem, it is certain that political economy will not have completed its tasks and performed its practical function until it has popularized and established as indisputable this very simple proposition: "Wealth consists in an abundance of commodities."

Do we not hear it said every day: "Foreigners are going to flood us with their products"? Thus, people fear abundance.

Has not M. de Saint-Cricq [minister of commerce] said: "There is overproduction"? Thus, he was afraid of abundance.

Do not the workers wreck machines? Thus, they are afraid of overproduction, or—in other words—of abundance.

Has not M. Bugeaud [a member of the Chamber of Deputies] uttered these words: "Let bread be dear, and the farmer will be rich"? Now, bread can be dear only because it is scarce. Thus, M. Bugeaud was extolling scarcity.

Do not *La Presse, Le Commerce,* and the majority of the daily newspapers publish one or more articles every morning to prove to the Chambers [the legislature] and to the government that it is sound policy to legislate higher prices for everything through manipulation of the tariff? Do not the Chambers and the government every day comply with this injunction from the press? But tariffs raise the prices of things only because they reduce their *supply* in the market! Thus, the newspapers, the Chambers, and the government put the theory of scarcity into practice, and I was right to say that this theory is by far the most popular of all theories.

How does it happen that in the eyes of the workers, of publicists, and of statesmen, abundance seems dangerous and scarcity advantageous? I propose to trace this illusion to its source.

We observe that a man acquires wealth in proportion as he puts his labor to better account, that is to say, as *he sells at a higher price.* He sells at a higher price in proportion to the shortage, the scarcity, of the type of commodity produced by his labor. We conclude from this that, at least so far as he is concerned, scarcity enriches him. Applying this mode of reasoning successively to all workers, we deduce from it the *theory of scarcity.* Thereupon we proceed to put the theory into practice, and, in order to favor all producers, we artificially raise prices and cause a scarcity of all goods by restrictive and protectionist measures, the elimination of machinery, and other analogous means.

The same holds true of abundance. We observe that, when a product is plentiful, it sells at a low price; thus, the producer earns less. If all the producers are in this plight, they are all poverty-stricken; hence it is abundance that ruins society. And, as every person holding a theory seeks to put it into practice, one sees in many countries the laws of man warring against the abundance of things.

This sophism, phrased as a generalization, would perhaps make little impression; but, when applied to a particular set of facts—to this or that industry or to a given class of producers—it is extremely specious, and this is easily explained.

Man produces in order to consume. He is at once both producer and consumer. The argument that I have just set forth considers him only from the first of these points of view. From the second, the argument would lead to an opposite conclusion. Could we not say, in fact: The consumer becomes richer in proportion as he *buys* everything more cheaply; he buys thing more cheaply in proportion as they are abundant; hence, abundance enriches him; and this argument, extended to all consumers, would lead to the *theory of abundance*!

It is an imperfect understanding of the concept of *exchange* that produces these illusions. If we analyze the nature of our self-interest, we realize clearly that it is double. As sellers, we are interested in *high prices* and, consequently, in scarcity; as buyers, we are interested in *low prices*, or what amounts to the same thing, in an abundance of goods. We cannot, then, base our argument on one or the other of these two aspects of self-interest without determining beforehand which of the two coincides with and is identifiable with the general and permanent interest of the human race.

Insofar as we are producers, each of us has hopes that are antisocial. Are we vineyardists? We should be little displeased if all the vines in the world save ours were blighted by frost.

If man were a solitary animal, if he worked solely for himself, if he consumed directly the fruits of his labor—in short, *if he did not engage in exchange*—the theory of scarcity could never have been introduced into the world. It would be all too evident, in that case, that abundance would be advantageous for him, whatever its source, whether he owed it to his industriousness, to the ingenious tools and powerful machines that he had invented, to the fertility of the soil, to the liberality of Nature, or even to mysterious *invasion* of goods that the tide had carried from abroad and left on the shore.

No solitary man would ever conclude that, in order to make sure that his own labor had something to occupy it, he should break the tools that save him labor, neutralize the fertility of the soil, or return to the sea the goods it may have brought him. He would easily understand that labor is not an end in itself, but a means, and that it would be absurd to reject the end for fear of doing injury to the means. He would understand, too, that if he devotes two hours of the day to providing for his needs, any circumstance (machinery, the fertility of the soil, a gratuitous gift, no matter what) that saves him an hour of his labor, so long as the product is as great, puts that hour at his disposal and that he can devote it to improving his well-being. He would understand, in short, that a *saving in labor* is nothing else than *progress*.

But *exchange* hampers our view of so simple a truth. In society, with the division of labor that it entails, the production and the consumption of an object are not performed by the same individual. Each person comes to regard his labor no longer as a means, but as an end. Exchange creates, in relation to each object, two interests, that of its producer and that of its consumer; and these two interests are always directly opposed to each other. It is essential to analyze them and to study their nature.

Take the case of any producer. In what does his immediate self-interest consist? It consists in two things: (1) that the smallest possible number of persons engage in the same kind of labor as he; and (2) that the greatest possible number of persons be in quest of the product of his labor. Political economy expresses this more succinctly in these terms: that the supply be very limited and the demand very extensive; in still other terms: limited competition and unlimited market.

In what does the immediate self-interest of the consumer consist? That the supply of the product he wants be extensive and the demand limited.

Since these two interests are mutually incompatible, one of them must necessarily coincide with the social or general interest, and the other must be hostile to it. But which one should legislation favor, as being the expression of the public weal—if, indeed, it should favor either one of them? To know this, it suffices to discover what would happen if the secret desires of men were fulfilled.

Insofar as we are producers, it must be admitted, each of us has hopes that are antisocial. Are we vineyardists? We should be little displeased if all the vines in the world save ours were blighted by frost: *this is the theory of scarcity*. Are we the owners of ironworks? We want no other iron to be on the market but our own, whatever may be the public need for it, precisely because this need, keenly felt and incompletely satisfied, brings us a high price: *this too is the theory of scarcity*. Are we farmers? We say, with M. Bugeaud: Let bread be costly, that is to say, scarce, and the farmers will prosper: *this is still the theory of scarcity*.

Are we physicians? We cannot blind ourselves to the fact that certain physical improvements, such as better public sanitation, the development of such moral virtues as moderation and temperance, the progress of knowledge to the point at which everyone can take care of his own health, and the discovery of certain simple, easily applied remedies, would be just so many deadly blows struck at our profession. Insofar as we are physicians, our secret wishes are antisocial. I do not mean to say that physicians actually give expression to such wishes. I like to believe that they would welcome with joy the discovery of a universal cure; but it would not be as physicians, but as men and as Christians that they would yield to such an impulse: by a laudable act of self-abnegation, they would take the point of view of the consumer. But insofar as the physician practices a profession, insofar as he owes to that

profession his well-being, his prestige, and even the means of supporting his family, it is impossible for his desires—or, if you will, his interests—not to be antisocial.

Do we make cotton textiles? We wish to sell them at the price that is most advantageous *for us*. We should heartily approve the proscription of all rival manufacturers; and though we do not dare to express this wish publicly or seek its full realization with any likelihood of success, we nevertheless attain it to a certain extent by roundabout means: for example, by excluding foreign textiles, so as to diminish the *supply*, and thereby to produce, by the use of force and to our profit, a *scarcity* of clothing.

In the same way, we could make a survey of all industries, and we should always find that producers, as such, have antisocial attitudes. "The merchant," says Montaigne, "prospers only by the extravagance of youth; the farmer, by the high cost of grain; the architect, by the decay of houses; officers of justice, by men's lawsuits and quarrels. Even the ministers of religion owe the honor and practice of their high calling to our death and our vices. No physician takes pleasure in the good health of even his friends; no soldier, in the peace of his country; and so it goes for the rest."

It follows that, if the secret wishes of each producer were realized, the world would speedily retrogress toward barbarism. The sail would take the place of steam, the oar would replace the sail, and it in turn would have to yield to the wagon, the latter to the mule, and the mule to the packman. Wool would ban cotton, cotton would ban wool, and so on, until the scarcity of all things made man himself disappear from the face of the earth.

If we now turn to consider the immediate self-interest of the consumer, we shall find that it is in perfect harmony with the general interest, that is, with what the well-being of mankind requires. When the buyer goes to the market, he wants to find it abundantly supplied. He wants the seasons to be propitious for all the crops; more and more wonderful inventions to bring a greater number of products and satisfactions within his reach; time and labor to be saved; distances to be wiped out; the spirit of peace and justice to permit lessening the burden of taxes; and tariff walls of every sort to fall. In all these respects, the immediate self-interest of the consumer follows a line parallel to that of the public interest. He may extend his secret wishes to fantastic or absurd lengths; yet they will not cease to be in conformity with the interests of his fellow man. He may wish that food and shelter, roof and hearth, education and morality, security and peace, strength and health, all be his without effort, without toil, and without limit, like the dust of the roads, the water of the stream, the air that surrounds us, and the sunlight that bathes us; and yet the realization of these wishes would in no way conflict with the good of society.

Perhaps people will say that, if these wishes were granted, the producer's labor would be more and more limited, and finally would cease for want of anything to occupy it. But why? Because, in this extreme hypothetical case, all imaginable wants and desires would be fully satisfied. Will someone tell me what reason there would be, on this hypothesis, to deplore the end of industrial production?

Allow me to emphasize, at the risk of repeating myself:

- There is a fundamental antagonism between the seller and the buyer.
- The former wants the goods on the market to be *scarce*, in short supply, and expensive.
- The latter wants them *abundant*, in plentiful supply, and cheap.
- Our laws, which should at least be neutral, take the side of the seller against the buyer, of the producer against the consumer, of high prices against low prices, of scarcity against abundance.
- They operate, if not intentionally, at least logically, on the assumption that *a nation is rich when it is lacking in everything*.
- For they say it is the producer who must be favored, by being assured a good market for his product. To achieve this end, it is necessary to raise its price; to raise its price, it is necessary to limit the supply; and to limit the supply is to create scarcity.

Just suppose that, at the present moment, when these laws are in force, a complete inventory were taken, not in terms of monetary value, but in terms of weight, size, volume, and quantity, of all objects existing in France that are capable of satisfying the wants and tastes of its people—meat, cloth, fuel, wheat, colonial products, etc. Suppose further that the following day all barriers to the importation of foreign goods into France were removed. Finally, suppose that, in order to determine the consequences of this reform, a second inventory is taken three months later.

Is it not true that there will be in France more wheat, livestock, cloth, linen, iron, coal, sugar, etc., at the time of the second inventory than at the time of the first?

Now, are we to believe that the people are better fed under the laws that prevail at present, because there is *less* bread, meat, and sugar in the country? Are they better clad, because there is *less* linen and woolen cloth? Are their houses better heated, because there is *less* coal? Is their labor made easier, because there is *less* iron and copper, or because there are *fewer* tools and machines?

But, you say, if foreigners *flood* us with their products, they will carry off our money! Well, what difference does that make? Men are not fed on cash, they do not clothe themselves with gold, nor do they heat their houses with silver. What difference does it make whether there is more or less money in the country, if there is more bread in the cupboard, more meat in the larder, more clothing in the wardrobe, and more wood in the woodshed?

Restrictive laws always present us with the same dilemma. Either we admit that they produce scarcity, or we do not admit it. If we do admit it, we thereby confess that they inflict upon the people all the harm that they can do. If we do not admit it, then we deny that they limit the supply of goods and raise their prices, and consequently we deny that they favor the producer.

Such laws are either injurious or ineffective. They cannot be useful. ◻

Frédéric Bastiat was a student of political economy and a pamphleteer in France in the 1840s. This article is excerpted, by permission of the Institute for Humane Studies, from Economic Sophisms, *translated and edited by Arthur Goddard (D. Van Nostrand, 1964). It is the first in an occasional* REASON *series of reprints of classical liberal writings.*

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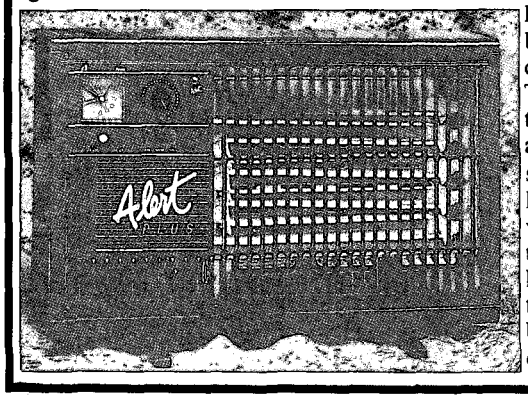

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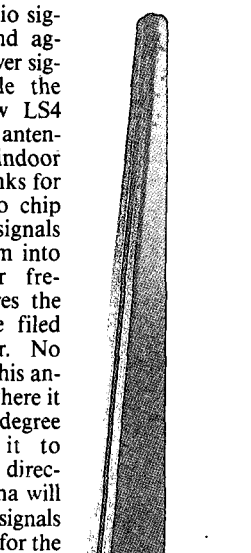

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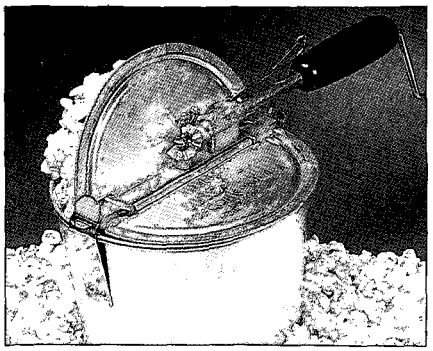

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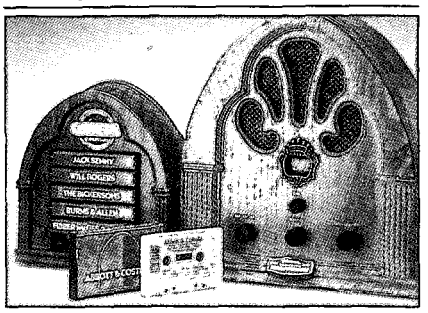

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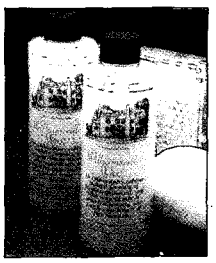

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A HARVARD MAN TAKES CHARGE

BY JULIO MARQUEZ

Mexico has some good news and some bad news. The good news is the emergence of a democratic trend that promises to have great political significance in the near future. After 70 years of one-party life and one-party rule, the 1988 presidential elections were the first to feature three powerful and charismatic candidates from three political parties spanning the ideological spectrum. The bad news is that the electoral process and outcome were riddled with corruption and fraud and that misinterpretation of the results by the Mexican government could seriously hinder the country's economic progress.

Nobody really knows who really won the presidential elections. "Official" results, published by the government-run electoral commission, kept the ruling Institutional Revolutionary Party (the PRI) in power with a 50.7 percent majority, its lowest ever. Yet the documented instances of fraud at every level and the results of various independent polls (as well as the government's ban on such research, especially exit polls), indicate that PRI candidate Carlos Salinas de Gortari may have actually placed third, behind the socialist Cuauhtémoc Cárdenas and the conservative Manuel Clouthier. Voter turnout was the highest ever.

Regardless of the validity of the official results, Salinas is Mexico's new president for the next six years, and he will make perhaps the most important choice in Mexico's recent history. On the one hand, he can expand the economic liberalization policies started in 1985 by his predecessor, Miguel de la Madrid. Through privatization, spending freezes, and the lifting of export/import restrictions in recent years, de la Madrid was able to revive some investor confidence and keep fears of hyperinflation at bay. Alternatively, he can follow the populist borrow-spend-and-nationalize course taken by earlier administrations in need of expedient political support, as well as by de la Madrid early in his term. Salinas's decision will depend on his interpretation of the country's new-found democratic current.

New president Carlos Salinas de Gortari: Will he liberalize or socialize?

The PRI has been comfortably in power for a longer time than any other political party in the Western world. Few effective opposition candidates and organizations have materialized in an environment rife with corruption, censorship, and outright violence. More importantly, however, the PRI has ruled for so long because it could afford to purchase loyalty from the Mexican people.

When oil prices were high, the government-owned oil industry prospered and the PRI, which controlled the government, rewarded its supporters with free public services from nationalized industries, price subsidies, and other typical forms of government largess. When oil prices tumbled in the mid-'80s, the statist framework carefully built by previous administrations could no longer satisfy the population's needs.

The government then turned to the private sector, only to find out there was none left. With the government owning over 85 percent of the economy—including all of the country's prime materials, basic industrial production, banking and transportation—and all except the oil industry operating in the red—it had effectively edged out all private enterprise. The ensuing recession in 1985 quickly paralyzed the few remaining private strongholds: retail sales, small business, and construction. Other than a few transnational corporations such as IBM and Ford, and the beer, tobacco, and soft-drink industries, there was little left.

The de la Madrid government decided to reverse the tide. It began selling government-controlled businesses deemed "nonstrategic." In the past six years, it has liquidated over 700 public businesses out of a total 1,155. It has sold or merged large businesses, such as the state airline, Aeromexico, as well as numerous state-owned hotels, restaurants, movie theaters, and even a bicycle factory.

The de la Madrid reforms, which were orchestrated by Salinas as minister of budget and planning, also involved a revamping of securities regulations. Companies now find it much easier to raise capital through public offerings. And the government tried to liberalize foreign trade by lifting currency exchange controls and joining the multinational General Agreement on Tariffs and Trade.

These policies began to have some impact. After 1983-84, the rate of inflation declined from over 100 percent to about 60 percent, the country's trade deficit has become a surplus, GNP growth is now 3 percent in real terms after being negative for quite some time, and the government's direct control over the economy has decreased to about 60 percent.

Unfortunately for the PRI, these improvements did not reach the bulk of the population in time for the election. Various political factions began shifting their alliances, leading to the hotly contested presidential race of 1988.

Certainly many Mexicans agree with de la Madrid's final assessment: "We did not come close to solving all of our difficulties, but we leave behind a basis for traveling the very difficult roads toward efficiency and modernization." Yet the election results did not produce a political mandate of any kind.

Each of the three parties received a substantial number of votes, as various factions previously identified with the gov-

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ernment aligned with other parties. Voters realized that government programs had failed to satisfy their needs. Some veered to the left, hoping the socialist plans to suspend foreign debt payments would produce needed cash, while others turned to the right in search of further privatization and lower taxes. The PRI, however, had the experience and organization necessary to ensure "victory." It controlled the media, spent lots of money, and, many believe, rigged the voting.

Despite these questionable election tactics, Salinas has not encountered much violent protest. The Mexican people seem willing to give the PRI one last chance to revive the economy. But most independent observers agree that they will not tolerate another major fraud in a presidential election. And economic conditions must improve. "Unless Mexico is a nation of masochists, it is illogical that the people will support further erosions in their purchasing power," says economist Luis Pazos. "The country's politics have begun to change profoundly, at its roots," writes journalist Ernesto Teissier in a current bestseller titled *Never Again*. "General submissiveness and the ensuing governmental disregard for public opinion will never again take place here."

Salinas's basic choice is this: he can attempt to "buy" some political support with government handouts, financed somehow (loans, taxes, inflation, the hope of higher oil prices for the government-owned oil industry) and ultimately resort to violence to keep his party in power, or he can give democracy and the free market an opportunity to produce longer-term results.

It is unlikely that world oil prices will increase considerably or that major new loans can be obtained from already reluctant international creditors, so the government will probably be unable to fuel the economic advances needed for genuine popular support. Therefore, it is in the best interest of the Salinas administration to allow the private sector to assume its traditional role of economic engine and provider. "If he does not want to see the country slowly crumble," observes writer Mauricio Gomez Mayorga, "Salinas will have to bear right." At the same time, he should refrain from resorting to fraud in the many upcoming local elections. Any other strategy, while perhaps able to create the illusion of prosperity among key groups for a short time, will likely polarize the country and produce great harm in the long run.

Salinas, with a doctorate in government from Harvard University, is widely regarded as a very intelligent man. He has never before run for office, but he does seem to have acquired the skills of a politician. In his inaugural address, he made encouraging statements to both the left and the right. He pledged to continue de la Madrid's general policies and said that Mexico might suspend payments on foreign debt (though some optimists think this could be mere talk to placate opposition). If he can revitalize the economy before the Mexican people lose their patience, then further news from south of the border could be good.

Julio Marquez is REASON's Mexican correspondent.

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INVESTING IN AMERICA'S FUTURE

BY CHARLES B. OLIVER

Last fall, Michael Dukakis donned a hard hat and stood on the factory floor of Moog Automotive in Missouri. He praised the auto parts company for keeping jobs in the United States and blasted Dan Quayle for saying foreign investment is good for the economy. The Republicans would hang a "for sale" sign on America, Dukakis warned, claiming: "Pretty soon, we're going to be tenants in our own country....Maybe the Republicans want our children to work for foreign owners, pay rent to foreign owners, and owe their future to foreign owners. But that's not the kind of future that Lloyd Bentsen and I want for America."

It was pretty good rhetoric, so Dukakis probably wondered why his audience began laughing. It later turned out, of course, that the workers Dukakis hoped to woo with his economic nationalism owed their jobs to the plant's Italian owners and were quite happy working for Moog.

Just a week later, the House of Representatives passed a bill that would have required detailed financial disclosure by any foreign company or individual investing in the United States—a guaranteed turn-off to many people who don't want their own governments to know where their money is. Financial disclosure failed in the Senate, but another measure did pass both houses as part of the omnibus trade bill. It gives the president broad power to prevent foreign acquisitions of U.S. companies. (Federal law already allows the executive branch to block foreign takeovers and mergers on national-security grounds.)

The politicians behind these bills claim that foreign investment constitutes an invasion. And they are determined to protect the United States. But from whom are they protecting us?

They are protecting us from businesses that employ 3 million Americans and pay $80 million annually in wages. They are protecting us from investors who have financed a huge chunk of the federal deficit. They are protecting us from entrepreneurs who have saved hundreds of manufacturing plants about to go under. They are protecting us from the bankers who now make one-fourth of all commercial loans. And they are protecting us from the mayors and governors who are busting their butts daily courting foreign investment.

At a time when politicians complain about the United States becoming a "service" economy, foreign firms have shown no reluctance to invest in American manufacturing. Between 1980 and 1986, manufacturing employment by foreign-owned companies rose 44 percent. During this same period, overall U.S. manufacturing employment declined by 6.4 percent. "Foreign investment could be part of the solution to a U.S. manufacturing capacity problem," says David Rolley, senior economist at Drexel Burnham Lambert.

In Fremont, California, Toyota reopened a former GM plant that now employs 2,500 workers. Farther north, in Seattle, local officials credit Japanese and Canadian investment with creating 10,000 new manufacturing and retailing jobs over the last six years.

In Ohio, Rep. Michael Oxley's district faced 21 percent unemployment in 1982. But Honda has since opened a plant in Marysville, and unemployment has dropped below 5 percent. The plant currently employs 5,800 people. Thousands more work in businesses that supply parts and services to the plant. "Sure, there are some negative aspects to foreign investment," says Oxley, a Democrat, "but I sure like the positive aspects.'

While many politicians whine about the United States' trade deficit and offer protectionism as a solution, foreign investors have increased America's exporting capacity. The Commerce Department doesn't track these shipments closely, but economists estimate that foreign-owned plants accounted for 8 percent of U.S.-manufactured exports in 1988. One of the country's fastest-growing exporters is the Swedish manufacturer Electrolux.

By 1979, General Electric and Whirlpool had begun buying microwave ovens from Asian manufacturers for resale in the United States. That same year Electrolux bought two American appliance makers and entered the microwave oven market. Electrolux immediately spent $20 million converting a carpet warehouse in Dalton, Georgia, into a state-of-the-art plant. While Dalton proclaims itself "The Carpet Capital of the World," many Europeans know it as the place where their microwave oven was manufactured. Electrolux ships over 500,000 ovens annually to Europe from Dalton. Its exports rose 35 percent last year alone, and it has captured 10 percent of the European market. Electrolux President Anders Scharp told *Business Week*, "When we finish our investment program, our U.S. facilities will be very competitive internationally."

Automobiles are becoming another important export for foreign companies in the United States. In 1988, Honda began selling its American-built Accord Coupe

JILL BANASHEK

in Japan. It expects to sell 50,000 in Japan by 1991 and to export another 20,000 to other countries. And Nissan reportedly plans to expand its plant in Smyrna, Tennessee, so that it can also export to Japan.

Not all American exports from foreign-owned companies are nuts-and-bolts goods. Foreign-owned plants are also sending high-tech products overseas. West Germany's Siemans exported $430.5 million in U.S.-made telecommunications and medical equipment in 1987. Japan's Fujitsu Ltd. ships Oregon-made disk drives and Texas-made cellular telephones to Europe.

In recognition of American business interests, the United States has long worked to maintain an open investment environment overseas. And American firms have established important foreign operations. Ford Motor Co., for example, dominates the British automobile market. And

Between 1980 and 1986, manufacturing employment by foreign-owned companies in the United States rose 44 percent.

IBM invests and operates in more than 100 countries. Researchers at its Zurich lab won the Nobel physics prizes in 1986 and 1987 for pioneering work with superconductors.

The arguments that Americans use to persuade others to allow foreign investment apply equally to the United States. Ironically, calls for restrictions on foreign investment come as U.S. representatives to the General Agreement on Tariffs and Trade (GATT) are making real progress in their push to get Third World nations to reduce investment barriers. Members of the Andean Common Market have already changed their trade laws to attract much-needed foreign capital.

Historically, foreigners have found the United States an attractive place to invest. Much of our industrialization in the 19th century was made possible by money from overseas. British investors, in particular, financed construction of factories and railroads throughout the steelbelt. However, two world wars and the Great Depression forced many foreign investors to sell their U.S. holdings.

With marginal tax rates among the lowest in the world, low inflation, and a stable political environment, the United States today is once again an attractive place to invest. Rather than restricting foreign investment, we should welcome the benefits it brings. "The best strategy on our part is not to keep foreigners from opening up operations here or acquiring U.S. firms," contends Robert Forrestal, president of the Atlanta Federal Reserve. "Rather, we should...become more outward-looking so that we are not left behind as the world economy becomes increasingly integrated."

Those who want to restrict foreign investment are right on one count. It does constitute an invasion—but an invasion of jobs, technology, and capital that will further America's economic expansion and benefit each of us.

Charles B. Oliver is REASON's editorial assistant.

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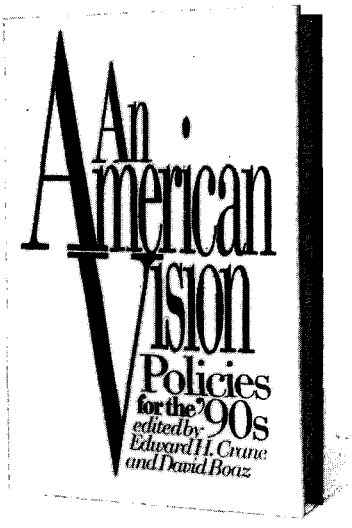

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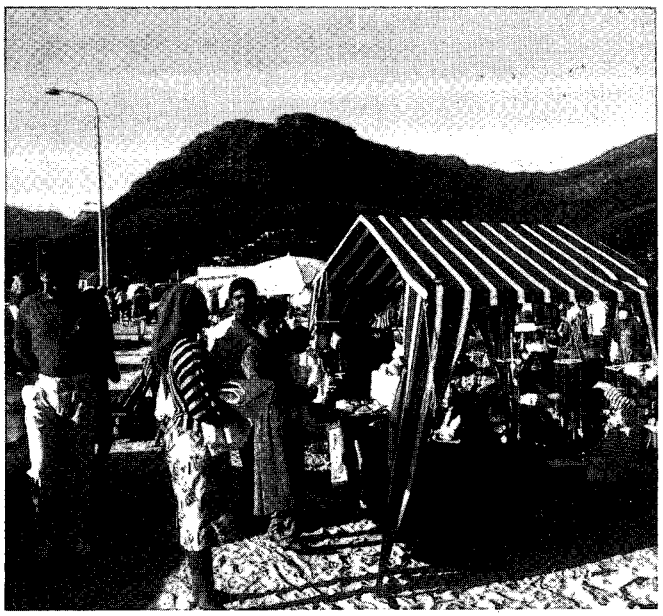
A LOT OF '50s IN THE '80s

BY ROBERT W. POOLE, JR.

Even just two weeks traversing South Africa with eyes and ears open reveal a great deal more than our stereotypes about this troubled land. South Africa's political and social situation is more complicated than most Americans imagine. And there has been more progress toward equality for blacks in the past five years than most realize.

Despite outward signs of modernity, South Africa's urban culture is a strange mixture of the 1950s and the 1980s. Video stores, office towers, current rock music, the latest Mazdas and Mercedes models, the ubiquitous personal computer, hypermarkets, "The Cosby Show"—all these can make an American feel right at home. Yet in subtle and not-so-subtle ways, everyday living seems a throwback to the America of the '50s, before antismoking and decaffeinated coffee, the civil rights movement, and women's equality.



Many elements of apartheid have crumbled in the cities: At a crafts fair near Cape Town, people of all races mix freely.

Take the role of women. We learned that middle-class women, though they may work, generally don't have full-time careers. When we saw "ladies bars," it was explained that letting women drink in bars is still a recent enough innovation that bars which allow women to join in are so designated.

We were amazed to find just four pages of restaurant listings in the yellow pages for Cape Town, a major city that is the hub of a 1.5-million-person metro area. People obviously do not dine out very much in South Africa. My hypothesis: so many middle-class people can afford servants that eating and entertaining at home is much more convenient than for Americans.

The cheap labor provided by urban blacks shows up in many ways. Parking lots and garages don't use ticket-spitters; a black man hands you the ticket. In a Wimpy's (equivalent to McDonald's), we confused the woman behind the counter by ordering there, with the intention of taking our food to a table. You only order at the counter for "take away." Otherwise, they come to the table to take your order. (This personal service has its downside—fast food isn't so fast.)

To an American observer, apartheid seems clearly on the way out. Today's situation is, de facto, much like that of the South in the 1950s, when black people did not have the vote in practice and with few exceptions lived in "colored towns" adjacent to the big cities.

When I was a boy in Miami in the early '50s, there was greater de facto segregation than exists today in Johannesburg and Cape Town. Blacks went to separate schools, had to ride in the back of the bus, and lived only in ghettos like Liberty City. They were not employed in jobs that would bring them into direct contact with whites—for example, as clerks in department stores. We even had separate drinking fountains in the Food Fair.

Much of South Africa's legally mandated racial segregation has been swept away. One of apartheid's main pillars was the hated pass laws, designed to control the movement of blacks and enforced with hundreds of thousands of arrests each year before being abolished in 1986. "Influx control" was based on the idea that blacks had no legal right to be in urban areas—they would be tolerated only temporarily to meet short-term labor needs. By dismantling this coercive apparatus, the government has conceded the reality that the urban black population is an integral part of the economy.

Many other elements of apartheid have crumbled in the cities. From street-hawkers' sidewalk stands to the most upscale malls, blacks, "coloreds" (mixed race), and Indians can be seen on both sides of the counters, along with whites. Blacks are increasingly free to own businesses, not just in their townships but in the main city business districts. In the large cities, we observed whites riding in black-owned taxis—which started out as a phenomenon of the underground economy and now number 100,000.

Mixed-race couples are no longer against the law. And blacks are finally permitted to own land and buy houses—though only in black townships so far and, to a limited degree, in the legally integrated "gray areas" that are just emerging. But the Group Areas Act still prevents most blacks from choosing where to live, and they have no vote except in largely meaningless local council elections.

Although housing segregation and denial of the vote were not part of U.S. law in the '50s, they were de facto realities in significant portions of the country. And blacks' economic roles were far more restricted than those of South African blacks today. In that respect, South Africa's urban blacks are further ahead than Miami's blacks were in 1952. The big question is how and when they will achieve full equality before the law.

Unfortunately, the Botha government and well-meaning American liberals seem to be making things worse rather than better. While desperate for a favorable

ROBERT W. POOLE, JR.

world image, the South African government goes out of its way to obstruct the free flow of information. Under a three-year-old state of emergency, it has banned TV coverage of disorders in the townships, for example. And when I truthfully answered a question on my visa application indicating that I had had articles published, I was required to provide samples and to submit a notarized statement that I was going to South Africa only as a tourist.

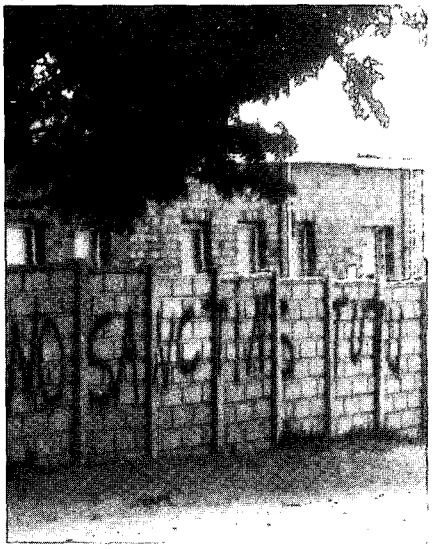
The government repeatedly squelches legitimate efforts to build the kinds of social and political structures necessary for democracy. Last fall, the fledgling (mostly white) End Conscription Campaign was banned. And the government has leveled charges of high treason against leaders of the Alexandra Action Committee, a black self-help organization in one of Johannesburg's townships.

Still, despite the state of emergency, I found more lively political expression than I'd expected. Newspapers editorialze freely, denouncing various government policies and urging that ANC leader Nelson Mandela be freed. Political graffiti—representing all points of view—is common. Every book store we visited included a whole section of books debating South Africa's future and the wisdom of apartheid. South Africans seem to love bumper strips, too, including one commemorating a tomato-throwing incident that involved President P. W. Botha—"I [tomato picture] P. W."

Newspapers do report bombings, such as the explosion of a limpet mine in a Johannesburg shopping center while we were in the country. (The man praised in the press as the hero of the bombing—a black security guard who was injured throwing an antibomb blanket over the mine just as it exploded—sounded off to the media a few days later. He was no hero, said the guard—he'd been ordered to do it by his white boss, who had fled the scene.)

It only takes a few days in South Africa to realize that the Western disinvestment campaign has not achieved much. More than 100 American firms have left the country. But the General Motors operation, for example, is now Delta Motors, thanks to a management buyout that leaves the company leaner-and-meaner than before—and still producing and marketing the same GM-designed Opels and other cars and trucks. "Delta Motors has made a remarkable financial U-turn since it was bought out by local managers 18 months ago," read the tagline of a cover story in the August 1988 issue of *The Executive*, a glossy South African business magazine. Similarly, IBM-SA is now the locally owned ISM, and Unisys has just been bought by Datakor (partly owned by the giant Sanlam).

American brand names are everywhere, including those of firms that have not divested, such as Mobil and Kellogg's. In some cases, the divestiture is purely cosmetic. Coca-Cola now sells its syrup to a firm in Swaziland—which turns around and supplies the same old locally owned bottlers in South Africa. So Coke "is it" everywhere you turn.



On the wall outside an Anglican church in Soweto, we saw graffiti expressing the common reaction of South African blacks to sanctions.

Kodak pulled out more systematically, but I was able to find Kodak film about half the places I looked, albeit rather high-priced (as was all film—Fuji and the others are making out very well from the cutback of Kodak products). And major multinational firms—Shell, Sanyo, Nissan, Mercedes, etc.—are continuing to do business as usual, making up for any shortages of U.S. products.

U.S.-imposed sanctions on South African products are another story, though. Zulu leader Mangosuthu Buthelezi says that sanctions such as those on South African coal have cost 210,000 black jobs. Since each black worker supports up to 12 family members, more than 2 million South African blacks may be worse off. This could explain why nearly every poll on black attitudes toward sanctions, except those which word the question very generally, finds opposition. On the wall outside an Anglican church in Soweto we saw the graffiti "NO SANCTIONS, TUTU." John Kane-Berman of the South African Institute of Race Relations estimates that in the past two years, black support for sanctions has shrunk from one out of four to only one out of seven.

Unemployment is at 20 percent and climbing. While I didn't see any official crime figures, whites we visited in Johannesburg complain of a significant increase in burglary and other property crimes, which they attribute to increased black unemployment. And they said the home-security business is booming.

My reading of the political situation is that, in undermining the economy, sanctions play right into the hands of extremists at both ends of the political spectrum. The turn-back-the-clock right-wing Conservative Party has come from nowhere to be the official opposition, displacing the reform-minded Federal Progressive Party. A crippled economy and increasing crime and unrest could vault the CP into power, displacing the odious—but nonetheless definitely reformist—National Party of P. W. Botha. And the ANC and its allies on the left appear to be eager for a decline into chaos, from which they, too, hope to gain political power.

I left South Africa with a mixture of hope and anger. Hope that the dramatic and rapid changes of the past few years will continue, bringing urban blacks into the mainstream of economic life, giving them a stake in the system as a precondition of new political arrangements. And anger at the power of righteous ignorance in the United States—on college campuses, in corporate boardrooms, on the evening news, and in the halls of Congress.

A short visit to South Africa did not make me an expert, any more than it did Teddy Kennedy in 1985. But it did make me realize the great complexity of the situation there and the possibilities for a peaceful transition. My own conclusion is that the world should back off and give peace a chance.

Publisher Robert W. Poole, Jr., is president of the Reason Foundation.

PANDAS IN PANAMA

BY RICHARD MITCHELL

Americans do not understand the world at a time when we face a critical need to understand foreign consumers, markets, customs, strengths and weaknesses. Indeed, our economic future depends on geographic literacy....

Without a thorough grasp of geography, we see the world from our own narrow perspective. ...The world is too competitive and dangerous to be a vague blur of memorized names and places. Without geography, we're nowhere.

—Gilbert M. Grosvenor

When a dairy farmer happens to notice that not one geographer in ten can tell a Holstein from a Guernsey, he may shrug a little shrug, or, if he has acquired the nasty habit of reading op-ed pieces in the *New York Times*, he may even snort a little snort, but he does not break out into pious lamentations about the decline of the West and the end of civilization as we know it. He does not take pen in hand to announce to his fellow Americans that there are cows in Japan too and that we can hardly expect to compete with the Japanese while mired in dairy illiteracy. He does not wring his hands aloud, gloomily reminding us that we cannot hope to understand the peoples and cultures of the world unless we are correctly informed as to their cows. He does not darkly hint that not only prosperity but peace itself will have no chance if our schools continue the deplorable practice of neglecting cow study, which neglect he resoundingly demonstrates by pointing to the indisputable fact that not one school in ten thousand or so offers any cow courses whatsoever. In short, a dairy farmer keeps his own counsel and minds his own business. He is a splendid chap, and I like him a lot.

With geographers, it is otherwise. In fact, with most of those whose callings have become subjects in school, it is very much otherwise. They seem truly to believe that if they "teach" it, then it is universally essential. The exceptions are the ones who impart such skills as accounting and advertising, who seem not at all perturbed that the public in general is unschooled in the tricks they're paid to reveal. Tax preparers do not moan and groan that no ordinary citizen can possibly fill out his simplified return, and plumbers seem never to call for universal plumbing literacy.

But the academic types are withering away in a buyers' market and must always be proclaiming that what they can impart is even more important than accounting and advertising, to say nothing of plumbing and, indeed, that it is "the key" to success in everything else, including accounting and advertising, maybe even plumbing, and also to world peace and the brotherhood of all mankind.

The epigraph above, a lament both melancholy and condescending, is taken from an op-ed piece in the *New York Times* by the president of the National Geographic Society. The piece is full of similar stuff, including the assertion that it was out of an ignorance of geography, rather than greed, that banks made big loans to little countries with no resources. Those naive bankers just didn't *know* that bananas don't grow in sand, and, even worse, it never occurred to them to go out and find a geographer to tell them that.

Grosvenor starts by reporting the results of some poll in which some people located "Contras in Norway, nuclear weapons in Switzerland, pandas in Panama, the summer Olympics in Iraq, [and] the United States in Botswana." These he calls "extreme examples of geographic illiteracy [that] popped out of the mouths of American adults." The polltakers accosted "10,800 adults in nine countries," an average of 1,200 adults per country, which made the poll, you should be happy to know, "the largest of its kind."

I suspect that it may also have been the *only* of its kind and that it was commissioned and paid for by people who are neither plumbers nor accountants and certainly not dairy farmers. And we can rest assured that if the poll had come out the "wrong" way—without ammunition for Grosvenor—we would never have heard of it.

For some reason or other, Grosvenor does not tell us exactly how many respondents put the pandas in Panama. Maybe he wants to protect us from the shock of a dreadful revelation, or maybe something else. It's too bad. Reasoning, which is the only thing left for those who cannot afford a poll, suggests that the world would be a vastly better place if about 25 percent of the adults of nine nations had put the pandas in Panama.

Consider: There you are, standing around in the shopping mall, minding your own business and hurting no one. Up to you, clipboard in hand, comes one of those smooth kids, working his way through tax-preparer school by taking the occasional poll. He is not even a prying busybody in his own right but only the hired tool of a prying busybody, and neither the lackey nor the master has your welfare in mind but somebody else's. And

BONNIE MACKAIN

he puts to you the following question, which must surely have looked like this: The natural habitat of the panda is in:

(a) Samoa
(b) Panama
(c) Australia
(d) China
(e) Greenland

Now stop and think. He who asks this question—is he a seeker after truth, panting to know the whereabouts of the panda? He who pays this asker—is he looking for your help?

There is, of course, a more or less correct answer, but a thoughtful person can no more bring himself to check off a more or less correct answer than Baron Rothschild can put ice in his wine. Is there, perhaps, a *just* answer, an answer that, not the question, but the questioner deserves? Of course. In fact, there are four just answers. The four wrong ones. Thus it follows that in a world of thoughtful people, each of them would have chosen one of those four, which is also to say that about a quarter of them would have chosen Panama. Simple logic.

Alas. If only it had been so.

There are, in fact, people who have no idea where pandas come from and who don't care and who, when told by some geographer, will find the information of no special interest. There are even people who would rather not be told—yet again—where the summer Olympics were to be found, and if there are any who truly don't know, all we can do is envy them.

But in all such matters, we are not truly talking about knowledge—and certainly not about "understanding the world," which Grosvenor considers dependent on being able to put the pandas in the right place—but about *information*. Nothing more.

All shortages of information are now called "illiteracies." In every case, from the now-aging "computer illiteracy" to the *arriviste* "AIDS illiteracy," these are not in any sense illiteracy but simply ignorance, ignorance of this or that—the condition in which every one of us, however expert in some other this or that, will spend his entire life.

If plumbers were to become afflicted with this inflated self-importance, they would call the rest of us plumbing illiterates. Legislatures would give them grants. They would establish Programs with Guidelines at Centers. And every toilet in the land would be clogged. Is it perhaps time for some people to get the hell out of academe?

Now consider this: You are going to imagine three lists. One is a complete list of all of the information you have ever been given, starting with the capitals of the states and so forth. Be careful. Information is fickle. It is not knowledge. Astronomers can neither divine nor deduce the names of the stars. It is only credulity that makes Grosvenor suppose that there are no atom bombs in Switzerland. And where will the pandas be two or three wars from now, when the *contras* in Tibet have pushed some borders about?

The second is a list (who could make it?) of the information that you haven't been given. All of it.

The third list contains all of the information that you have discovered for yourself and that would not have been around for others to hear unless you had discovered it.

Now behold in dismay: one little list, one infinite list, and one infinitesimal list. If you suspect, as I do, that there *are* some *contras* in Norway, be consoled to notice that List Two of Gilbert M. Grosvenor is just as infinite as yours.

Not all geographers, I hope, would hold that the meaning and worth of geography are to be found in the information that some of Grosvenor's poll subjects seem not to have had. Grosvenor himself shows that you can "see the world from your own narrow perspective" just as easily with a "thorough grasp of geography" as without it.

How, then, should you live? Should you devote your life to moving entries from list two to list one? When you have toted up enough geographical entries, will you thereupon "understand the world" and learn to compete with the Japanese? When you have found out the place of the panda, will that be enough? What about the platypus, the peccary, and the pangolin? How long a list will it take to put the mind in tune, and the reason in frame, to find, in other words, the only condition in which it is possible to understand anything?

Richard Mitchell is the author of Gift of Fire *and is responsible for* The Underground Grammarian, *from which this article is drawn.*

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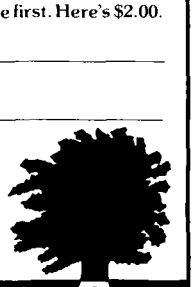

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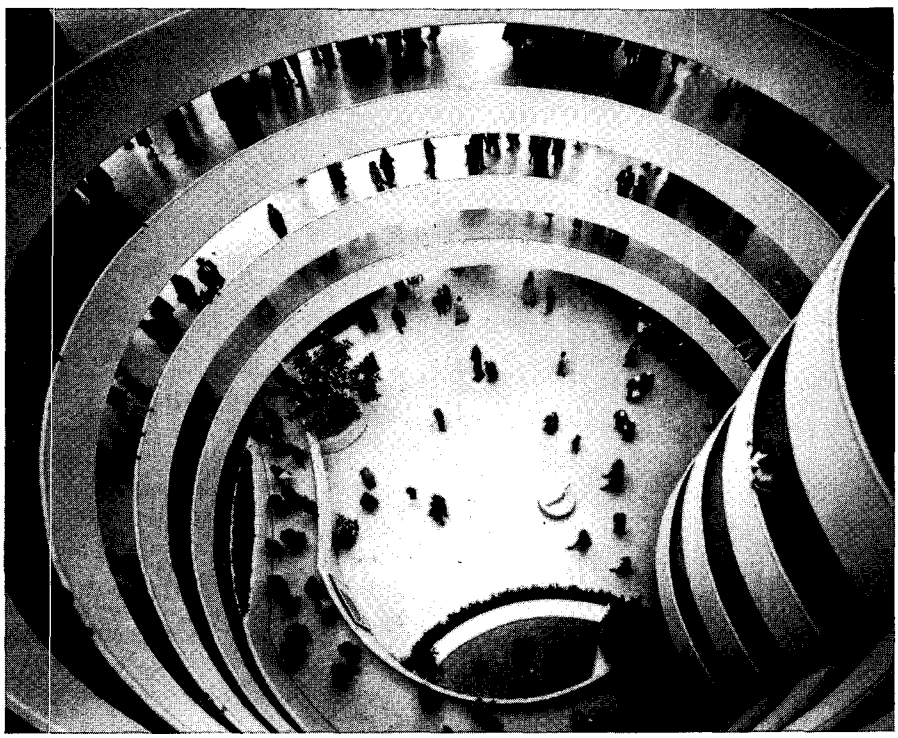
Wright and Wrong Ideas

BY JOHN GILLIS



The Guggenheim Museum: "Here we are not building a cellular composition of compartments, but one where all is one great space on a single continuous floor."

"In the Realm of Ideas" is an ambitious exhibition: it includes detailed samples of Frank Lloyd Wright's work and also attempts to express the ideas behind them. Created and produced by the Frank Lloyd Wright Foundation and the Scottsdale (Arizona) Arts Center Association, the show displays the breadth of the designs Wright created—from buildings, to bridges, to furniture, to dinnerware. His designs for houses, factories, office buildings, and public buildings are all represented. But despite the efforts of its creators, the show actually best exhibits two less-than-inspiring facts: that Wright was a fuzzy thinker and that the show's creators do not share Wright's genius for design.

The exhibit does excel in one special way. A complete, full-sized Wrightian house is being transported from city to city as part of the exhibit. This rare and difficult feat lets you experience—not just read about—what architecture is: space.

This house was specifically built for the exhibition from a 1950s prototype design intended as a house that almost all Americans could afford. Wright called it his Usonian house (a word play on "U.S."). It was Wright's answer to demand for lower-cost houses, houses that could be built in many variations from simple, cheap, prefabricated materials, in almost any part of the country. In his usual iconoclastic way, he used concrete block as the main material—then, as now, considered a hopelessly ugly, utilitarian material.

If you have never seen a Wright building in person, the Usonian house makes this show worth a trip. While not one of his great buildings, the house represents well the small-scale residential designs of Wright's later career. It has a spacious feeling, stemming from the abundant natural lighting, from the high ceilings contrasted with low ceilings, and from the illusion that the outdoors is indoors. It also includes original uses of materials, such as oversized, square-doughnut-shaped concrete blocks with glass set into each block. (A feeling of visual coolness arises from so much gray-brown exposed concrete in some rooms, but such design inadequacies are small, in contrast with all the successes.)

Wright used space and light as "materials," and a simple example shows up in the exhibit house. In the normally unremarkable hall to the bedrooms, he placed closets in a long strip, made them less than full height, and put windows above them. This design turned a usually nondescript hallway into an appealing, light-filled, functional space full of expansive storage.

Wright was a prolific writer on architecture, art, and political ideology. To divide the show into coherent sections, the producers focus on four themes of his architectural work and writings (the "Ideas" of the show's title). Three of the themes are aesthetic and architectural, while the last is political.

Wright often cast the first theme—really several ideas—in negative terms as "The Destruction of the Box." To turn this around, it is the positive idea that the space in a building should be freely connected from area to area, with separations only for privacy and special functions. Second, it is the idea that there is pleasure in having a visual connection between the inside spaces and the outside environment. And third, it is the idea that a building's outside shape should reflect its interior functions.

In Wright's early years, he was reacting against the Victorian and neoclassical styles. (Most state capitols across the

FRANK LLOYD WRIGHT FOUNDATION

country are examples of the neoclassical style.) Architects working in those styles usually created a series of separate boxes (rooms) that were part of a larger box (the building), isolated from its environment. While gracious and delightful exceptions to the rule exist, most architectural design was stiflingly boxy.

Wright developed residential architectural designs in his early career to end this box-like architecture. Instead of rigidly separate rooms, he used interwoven spaces—with only partial walls (screens, he called them). He made the living room, kitchen, entry hall, or dining room distinct by varying ceiling heights, light sources, or wall and floor materials—not with encircling walls.

Along with this continuous flowing space inside, Wright made the space appear to flow from inside to outside to inside. The exhibition house, while modest-sized at 1,800 square feet, seems larger than it is, because it connects so thoroughly with the terraces outside.

Unfortunately, the exhibit fails to express this theme clearly. It uses Wright's words and shows building plans by Wright...but too often they are not a good match. The chosen sample building plans, while they are some of Wright's better designs of his early career, have no obvious relation to the "destruction of the box." A major building pictured, the Larkin office building in Buffalo, is one of Wright's triumphs (now demolished, tragically), but it looks rather boxy on the outside and must confuse many visitors who are trying to understand the "destruction of the box." It would have been better to use the exhibition house to concretely illustrate Wright's ideas of architectural space, and it would have made better use of a great on-hand asset.

The second theme, "The Nature of the Site," refers to the principle of connecting the building design with the surrounding site. Wright's work was seminal in demonstrating the importance of designing *with* the nature of the land and environment around the building.

For example, he is famous for telling residential clients to find a "difficult" site, one that ordinary builders and architects avoided because it was hard to build a normal, flattened, neo-something-or-other house on it. Like all good problem-solvers, Wright knew that solutions are easier when the problem is clear and unequivocal. A site with lots of character, such as steep slopes, creeks, or complex vegetation, (read: "difficulties" for the classical architect) lent itself to a relatively easy "natural-looking" solution for him, because the very character, the identity, of the site "forced" a solution.

Whatever the site—whether interesting or not—the point of Wright's organic architecture (as he called it), was always to consider the context, the character of the land and the environment, in melding the functional needs of the client with a dramatic design sensibility. Wright once said (in one of his occasional clear and brilliant comments): "The good building makes the landscape more beautiful than it was before that building was built." Cherishing the complexity and beauty of land, he was a real "environmentalist" long before environmental science became a branch of political science. Yet he knew that mankind, as part of nature, can enhance the raw stuff of nature with an act of human creation.

This theme of the exhibit works. Scale models show his dramatic uses of sites. For instance, Fallingwater, his famous house projecting over a waterfall in Pennsylvania, is a natural choice to show the wedding of house and site.

Wright once said: "Architecture is the triumph of human imagination over materials, methods, and men, to put man into possession of his own earth." These few words show Wright at his best, emphasizing man's connection to the world around him. And aside from the uncertainty of who the "men" are that need to be triumphed over, it expresses well Wright's focus on the human mind's capacity to reshape and materially develop the things of this earth.

This concept lies behind the exhibit's third theme, "Materials and Methods," which focuses on Wright's innovative handling of materials and technologies. For example, his buildings incorporated central heating systems and integral electrical lighting when these were little-known technologies.

He pioneered the use of concrete, previously an engineering material, in architectural buildings. The Usonian house uses a special concrete-block system he invented. Wright reinforced the blocks with steel rods and used special molds to create intricate patterns on faces of the blocks. These patterns cast changing shadows throughout the day as the sun passed. Stronger than normal concrete block, this invention brought the ugly duckling material to a level of design that was playful and inventive.

His Unity Temple (Unitarian Church) in Oak Park Illinois, his Fallingwater residence, and his Johnson Wax buildings in Racine, Wisconsin, all used concrete as an elegant, beautiful, structurally poetic material. The church shows the massive, majestic quality of concrete; Fallingwater shows its power to span effortlessly; Johnson Wax, with its "umbrella" columns, shows how delicate and soaring concrete can be.

The full-sized Usonian house makes the exhibit worth the trip.

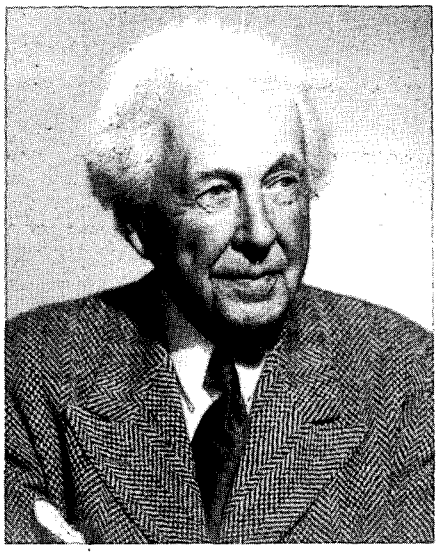
Similarly, many unbuilt designs using hanging steel cable structures (similar to suspension bridges) are shown in drawings for parking structures and exhibition buildings. Rods pulled in tension are the strongest and most efficient use of steel and, designed intelligently, tensile steel has a beauty that only 20th-century engineering offers.

Despite including many excellent examples, however, the exhibit fails to capture Wright's rich legacy of ideas about materials. The exhibit designers have made these ideas quite literally hard to see. Enlargements of photos and drawings are used, some backlighted, some not, some oversized, some not, some with lettering over the images (preventing an unobstructed view of the designs and making the words hard to read). Images are jammed next to one another so that they require some effort to distinguish from one another. All this conspires to create an unsatisfying, hodgepodge appearance, even though there are many clear photographs and drawings.

The fourth theme, "Building for Democracy," is the least successful part of the show—but here the fault is Wright's. This section attempts to make concrete the fuzziest area of Wright's intellectual life.

Despite his talk of individualism, despite his own cherished freedom to do as he pleased, he was a collectivist. If the exhibit actually showed clearly his ideas of "democracy," most Americans would be badly shocked. He was decidedly un-American in many of his ideals. His democracy is closest to the majoritarian democracy of the most radical European democratic socialists, with a strong scent of the "democracy" of the communist collective thrown in.

When I studied at the Taliesin Fellowship during my college years, I was puzzled by the peculiar communistic atmosphere of Wright's private world. He and his wife strove for a classless society in the fellowship and for a radical egalitarianism in the everyday life of this architectural commune. All day-to-day tasks were performed on a rotating basis by everyone—architects, draftsmen, and artists would scrub kitchen floors or take care of garbage detail (although the Wrights themselves avoided most such tasks). There was also a communal policy toward the distribution of money: all the proceeds



Frank Lloyd Wright: architectural genius, fuzzy thinker

of architectural work were regarded as part of the common funds and "wisely" redistributed by the leader (Wright, then later Mrs. Wright).

At the same time, Wright contradicted these collectivist ideas in many ways by his Nietzschean "super-man" view of himself and other people. He was, like many intellectuals of the 1920s and '30s, a strong admirer of the Soviet "experiment," although he recognized (due to his own special interests) that the Soviet system wasn't quite supportive of the free expression of great architectural design. He was deeply influenced by 19th-century utopian thinkers such as Edward Bellamy, Henry George, and Silvio Gesell.

Like them, he saw laissez-faire capitalism as evil but seemed to have only a vague notion, evidenced by his writings, of how to implement the utopia of his dreams. His only way of expressing himself well was through design, and he spent many lean years through the Depression designing a new utopian, socialized American landscape, trying to turn America away from its industrialization (or maybe not, depending on what you read in different parts of his writings). He thought everyone should return to the beloved land, farm for himself, and live in a Wright Usonian house.

At an exhibition of his utopian Broadacre City design schemes, Wright once had students of his atelier hand out writings of Bellamy, attacking the evils of capitalism and extolling socialist ownership of the means of production. Wright also subscribed to Henry George's call for the banning of "rent"—the socialization of all land ownership in the United States. And lastly, Wright was influenced by a little-known Swiss economist, Silvio Gesell (1862-1930), whose main idea was laughable while horrible. This idea is best expressed by one Wright scholar: "To prevent hoarding, encourage spending, and reduce interest [rates] to a minimum, Gesell proposed to make money *perishable* by making a banknote issued at the beginning of the year lose a fixed percentage of its face value by the end of the year."

None of these ideas of Wright's about democracy is evident in the exhibit. Perhaps one cannot expect much clarity on this subject from an architectural exhibition. Once the show's producers had decided to include this philosophical and political theme, however, they should have handled it clearly.

The best exhibit on Wright's work still must be Wright's work. So, except for the great idea of including an actual building, this exhibit is not as good as it aspires to be. To expand your enjoyment of the best that architecture can offer, buy a copy of William Storrer's book, *The Architecture of Frank Lloyd Wright* (MIT Press, 1978), which lists all of Wright's work. Then, as you plan your travel around the United States through the years, keep the list in mind and visit the actual buildings. This is the best exhibition. It takes a little time and planning and desire on your part, but the rewards are equally long-lasting; Wright's design genius continues to light up the minds and energize the passions of people who have lived in, worked in, or just fleetingly seen his best works.

John Gillis is an architect in New York City.

FYI

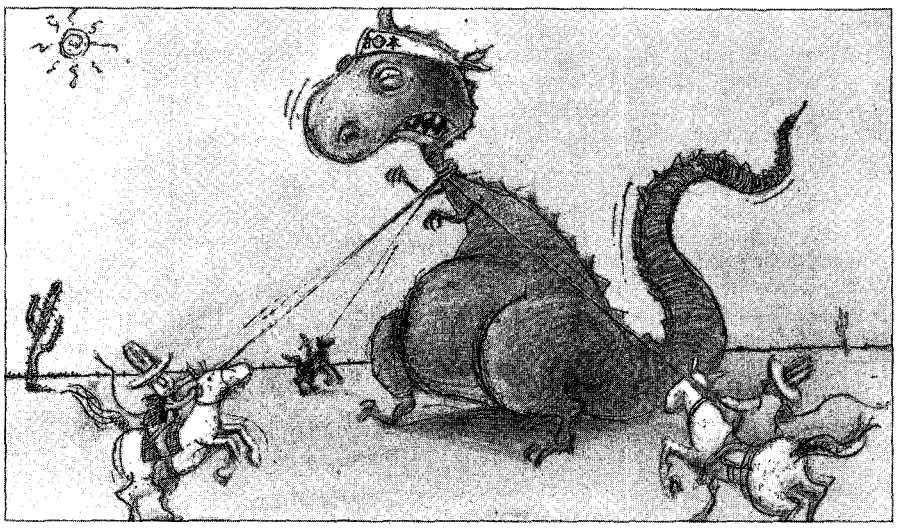
Exhibit dates:

- Center for the Fine Arts, Miami, through March 1989
- Museum of Science and Industry, Chicago, June-September 1989
- Scottsdale Center for the Arts, January-March 1990
- San Diego Museum of Art, June-August 1990

Remedy for Doomsayer Blues

BY RONALD BAILEY

The Third Century: America's Resurgence in the Asian Era
By Joel Kotkin and Yoriko Kishimoto. New York: Crown Publishers, 286 pages, $19.95



DAVID HWANG

Tired of hearing about America's inevitable decline? Wearied by sage warnings that the United States must accommodate itself to a more circumscribed role in the world? Burned out on arguments that our foundering industries must be "adjusted" by government planners? *The Third Century* is the remedy for these *fin de siècle* blues. Coauthors Joel Kotkin, West Coast editor for *Inc.* magazine, and Yoriko Kishimoto, a consultant who aids companies engaged in trans-Pacific trade, argue convincingly that the "Asian challenge" is really the "Asian opportunity" for the United States.

In this so-called era of limits, innumerable commentators, academicians, and politicians take America's eventual decline as a given. "The whole post-Reagan political atmosphere seems to be colored by acceptance of the superiority of foreign role models that embrace mercantilist strategies using government policy and planning to develop and maintain trade surpluses," write the authors. "As the economic debacle of the Depression provoked a surge of interest in such European-bred authoritarian systems as socialism and communism, today's setbacks have led to a new fascination with the industrial policies of other countries."

Consequently, our political leaders, spurred on by liberal intellectual elites, urge us to "rationalize" our industries in the manner of the European Community and to target our sunrise industries the way Japan's Ministry of International Trade and Industry (MITI) does. In addition, we should raise tariff barriers to protect industries vital to our national security and to punish countries whose trade surpluses grow unacceptably large. The latest horror, vigorously purveyed by Michael Dukakis and Richard Gephardt in last year's campaigning, is what economist Herbert Stein refers to as "economic patriotism." The U.S. government should limit foreign investments because such investments in American businesses will somehow impair our national sovereignty.

Much of what Kotkin and Kishimoto say is familiar: the Pacific Basin is the new center of the world's economy; the United States is becoming a multiracial "world nation"; the wellspring of American competitiveness is the entrepreneurial talent of our small innovative companies; and American businessmen have a lot to learn about successful management from their Asian competitors. Their distinctive achievement is the way they weave these strands together into a clear, convincing analysis of how America is positioned to compete successfully in the 21st century.

In particular, Kotkin and Kishimoto focus on two of the United States' unique economic strengths—its entrepreneurial culture and its open economic system. Our economy is an amazing machine that churns out thousands of dynamic and innovative new companies annually. In Asia and Western Europe, entrepreneurs are rare, and large corporations are in positions to strangle most new companies at birth. By contrast, in the United States the 1980s has been the Decade of the Entrepreneur, celebrated by one and all, and rightfully so. To recite just a few of the now familiar statistics: In 1985, 700,000 new corporations were registered, up from 200,000 only 20 years ago. Between 1977 and 1985, small companies created 89 percent of 18 million new jobs. (By contrast, Europe lost 3 million jobs and 19 million people are unemployed—over 10 percent unemployment in many countries.)

So perhaps the most pernicious notion currently being advanced by interventionist doom-and-gloomers like Harvard's Robert Reich is that our small entrepreneurial companies simply cannot be expected to compete successfully with international giants like Japan's Mitsubishi or Korea's Daewoo. John Kenneth Galbraith concurs, saying that the entrepreneur is "a diminishing figure in the industrial system." So they argue that the federal government should focus its attention on "helping" our large corporations to compete in world markets. "Help" is a code word for protective tariffs and higher govern-

ment subsidies.

Unfortunately, large corporations may just get such help in the near future. George Bush, a mainstream Republican, may well favor the interests of big business over those of America's small companies. This would be a profound mistake. Kotkin and Kishimoto show just how new, nimble American companies like Nucor and Compaq beat the Japanese dinosaurs every day. Currently, everyone's attention is drawn to the takeover battles raging on Wall Street, ignoring the past five years of enormous economic growth propelled by small, new, innovative companies. Takeovers are a fad; the continual creation and growth of new small companies is the permanent reality of America's economic future.

Also, Kotkin and Kishimoto argue that American openness to immigration gives the United States an enormous competitive advantage. This country admits more legal immigrants each year (more than 500,000) than the entire rest of the world combined. And most new immigrants come from precisely those parts of the world where our economic opportunities are the greatest—East and South Asia and Latin America. The new immigrants bring to America their drive to succeed, international marketing savvy, and unmatched business connections in their native countries.

In response to the champions of industrial policy, the authors point out that many countries are now struggling, but largely failing, to inculcate some of the dynamism of the American economy into their own economies. They show that MITI's reputation for successfully targeting Japan's sunrise industries is vastly overblown. That paragon of industrial planning has not been able to develop the breakthrough technologies that are the dynamic source of an economy's growth, despite the money that has poured into its highly touted Technopolis Concept and Fifth Generation Project. The authors also call attention to the fact that Japan's much-ballyhooed lifetime employment system, which covers only a third of the workers anyway, smothers innovation and straightjackets talented managers. Discounting Japan's apparent economic success as evidenced by its trade surpluses, Hiroshi Takeuchi, chief economist of Japan's Long Term Credit Bank, glumly predicts, "The Japanese role will be to assist the United States by exporting our money to rebuild your economy. This is the evidence that our economy is fundamentally weak. The money goes to America because you are fundamentally strong."

A self-absorbed Europe is well on the way to economic obsolescence, cowering in its fortress of protective tariffs. The lowering of internal trade barriers in the European Community by 1992 is merely the last gasp of European mercantilism—the consolidation of failed economic policies. Melvyn Krauss, an economist at New York University, succinctly notes that the adoption of European industrial "adjustment" policies and government economic planning would be an attempt to "catch up with the losers."

Kotkin and Kishimoto cast cold water on the notions of postindustrial enthusiasts like John Naisbitt of *Megatrends* fame. The authors convincingly assert that manufacturing *does* matter. Technological innovation is tied closely to the manufacturing process. American business leaders are only fooling themselves if they believe that they can retain their technological edge if they lose their ability to manufacture new products.

Kotkin and Kishimoto have made a strong case that the United States is far from being a declining nation. America's dynamic capitalist economy and multicultural heritage guarantee, with due respect to Michael Dukakis, that the best America is yet to come in its third century.

Ronald Bailey is a staff writer at Forbes.

Thumbs Down on the Reagan Years

BY TIM W. FERGUSON

Assessing the Reagan Years, edited by David Boaz
Washington, D.C.: Cato Institute, 431 pages, $14.95 paper

The American political movement opposed to collectivism at home and abroad is split over whether the Reagan presidency was a net gain or loss. The Cato Institute, never supportive of Ronald Reagan the candidate but quite willing to take advantage of his periodic libertarian rhetoric in office, has published an essay collection tilted decidedly toward the critical camp.

Assessing the Reagan Years, edited by Cato vice president David Boaz, faults the administration's fiscal policies for failing to provide a better check on congressional spending and to attend sufficiently to incentives while cutting tax rates. Its contributions to monetary and banking affairs are seen as spotty. Its management of military and foreign policy is found to be greatly a shambles, government is still growing on the domestic front, and the judiciary (conservatives will no doubt disagree) has mostly moved in the wrong direction.

Many of the 31 analysts are drawn from Cato's familiar stable of speakers and authors, as well as its staff. Enthusiasm over the president's record is limited to installments by U.S. Chamber of Commerce economist Richard Rahn and Malcolm S. (Steve) Forbes, Jr., deputy editor of the magazine his father heads. For the most part, the book projects a pessimism that contrasts starkly with conservatives' prevailing satisfaction with the Reagan legacy.

Supply-side elder Norman Ture, initially a Reagan Treasury official, decries the 1986 tax revision for undoing many of the earlier changes that had boosted investment and productivity. He sees no equity rationale for having enacted the great Tax Reform, yet he doesn't discuss the heavier payroll taxes that skewed the tax burden in the early '80s.

Jerry L. Jordan, who served early on with Cato chairman William Niskanen on Reagan's Council of Economic Advisers, sees the dollar devaluation engineered by Treasury Secretary James Baker beginning in late 1985 as a form of inflation, "a tax no one has to vote for." It was the administration's way of engendering widespread and false prosperity—"monetary protectionism (as) an alternative to legislated protectionism." He suggests that the strong dollar of the first term was a reward for correct policymaking and implies that trade imbalances and depressed industries are best left alone.

Defense policy, too, comes under fire. Early Pentagon escapee Lawrence Korb finds that his Reaganite colleagues raised military spending precipitously (double the growth rate planned by President Carter as he left office), only to have to bring it down abruptly as part of the belt-

The dismal record is all the more disappointing for the fact that ideological gains could have been had in foreign aid at next to no political cost at home.

tightening forced by the Gramm-Rudman-Hollings Act. Ronald Reagan may therefore "have the dubious distinction of presiding over the biggest defense buildup and the biggest defense decline in the nation's history." Korb's criticisms would seem more even-handed had he included congressional pork-padding and micromanagement in his indictment.

Doug Bandow, a Cato hand, jumps on the administration in which he, too, briefly served for continuing the promotion of socialism abroad through U.S. multilateral aid programs. This abject failure of the Reagan team has occurred notwithstanding the worldwide movement toward market economies, which the domestic example of the United States and others has helped to foster. The particular culpability of George Shultz and other adminstration "pragmatists" in this area has sometimes been lost amid strident conservative criticism of them. However, the dismal record is all the more disappointing for the fact that ideological gains could have been had in foreign aid at next to no political cost at home.

Some of the book's particularly well-founded criticisms actually deserve lengthier treatment than they receive. For example, Peter J. Ferrara, the nation's leading advocate of a private social security alternative, recalls only at the end of his essay the administration's fateful steps, completed in 1988, toward the "catastrophic coverage" expansion of Medicare. Yet this, along with the bailout of depository institutions, is clearly the most expensive legacy of statism left by the Reagan years.

In criticizing the Reagan era, the book's authors do come to some damning conclusions. Robert Crandall of the Brookings Institution, for example, finds that "the real cost of the most expensive regulatory problems has risen more rapidly under Reagan than under Carter." Congress is due for more blame than Crandall (or this book in general) gives it, but often it is the president's own men who were at work. Witness the October 1988 article in the *Wall Street Journal* by a former midlevel official in Reagan's Justice Department bragging about how his team had gone to court more often in the name of pollution control than any previous group of prosecutors.

At other times, some authors in this collection probably expected too much from the Reagan administration and were bound to find disappointment. Thus Morgan Reynolds ruefully concludes that "certainly there was no tampering with federal labor law, nor its statist ideology." He only grudgingly praises the progress against union monopolies scored before Ray Donovan was forced out of the cabinet and the AFL-CIO got cozy with the regulators again.

On legal philosophy, *Assessing the Reagan Years* clearly parts company with conservative appraisals. Cato's legal beagles want a natural-rights interpretation of the Constitution, and the Bork nomination split them off from most of the conservative coalition. Remarkably, in the wake of Bork's defeat, they almost obtained, in Douglas Ginsburg, a Supreme Court justice of their dreams—as a gift from Ed Meese, no less! Ginsburg's abrupt demise in a miniscandal, however, shattered that hope and ought to have reminded the libertarian lawyers (as Bernard Siegan's later defeat for an appellate court seat should have also) how powerless they are against the statist-liberals without a controlling conservative alliance. Where that alliance did hold sway, the Reaganites emplaced judges who are in many instances making sounder the rule of law.

In Clarence Thomas, one of the administration's most interesting members as head of the Equal Employment Opportunity Commission, Boaz found the perfect man to discuss Reagan's civil-rights policies. However, his essay is itself a disappointment, as it doesn't discuss his reported disagreements with other shapers of the Reagan policy; instead, Thomas hews to the party line against the political foes who vanquished that policy. He places blame not on Reagan policymakers but on their inability to overcome opposing forces—the principle of color-blind law was routed at nearly every turn by interest group

Book Hints

Politics, the media, and the rich and famous all make good fodder for an alert satirist. In **Family Politics** (New York: Simon & Schuster, 384 pp., $18.95) political strategist-turned-novelist John Buckley takes on all three. With wit and an insider's insight Buckley dishes out a funny tale about politics and wealth, American-style. His characters—the sanguine, avuncular incumbent senator; his young, up-and-coming ultraconservative challenger; and a whole medley of reporters, among others—ring all-too-true as they scramble for power and influence.

The raw frontier and rugged individualists of the American West have long inspired writers to celebrate the spirit of the West. **Westeryear: Stories about the West, Past and Present** (New York: Evans, 240 pp., $14.95), edited by Edward Gorman, includes over 20 stories about the West by great American authors of the past—Mark Twain, Stephen Crane, and O. Henry—as well as some contemporary short-story masters.

James Comer recounts a saga of a different sort—this time biographical—in **Maggie's American Dream: The Life and Times of a Black Family** (New York: New American Library, 228 pp., $18.95). Comer, reviving the tradition of oral family history, tells first in his mother's then in his own words the story of his family. This is an inspiring tale of a black woman born destitute in rural Mississippi who struggled and succeeded in making her American dream a reality. Ironically, James Comer seems to have missed the message of his mother's do-it-yourself approach to success. At the book's close, he calls for an array of government programs to help lift blacks out of poverty. —L. S.

accounting of who ends up with what.

Nonetheless, Thomas never fails to intrigue: near the end of his chapter he quotes from Barry Goldwater's remarks about the "whole man" in his 1964 acceptance speech in San Francisco. These words (actually an elaboration on what he had told the GOP convention four years earlier) were, I believe, the last time an undiluted expression of natural-rights philosophy was heard in American presidential politics. That Thomas should summon them, especially given that they were spoken by the man who symbolized the Republican Party's break from the progressive civil-rights orthodoxy, only makes you hunger for more reflection from him about Reaganism and the immutability of black voting patterns.

Neoconservative-cum-libertarian social critic Paul H. Weaver winds down the book with what could be considered an epitaph of the whole collection. He laments that "an administration that should have been a source of new ideas and stimulator of public debate has been a giant wet blanket smothering our political and cultural life." The past seven years, he says, will be known for "hustling, hypocrisy, lying, sleaze and stasis."

Some conservatives who've staked their intellectual capital on the success of the "Reagan Revolution" will find all this to be small-minded carping, given what they say Reagan has brought: sweeping changes in the American political debate, dramatic cuts in tax rates, and a sometimes bold reassertion of the U.S. role in the world. To others, however, the picture is different: a Republican Party still on the defensive, promising a dime-store welfare state; bigger government relative to the size of the economy, with higher trade barriers and an effective tax burden that is weightier for most Americans; and a foreign policy whose apparent successes cannot mask its actual failures on the ground in Lebanon and in much of Central America. The Cato crowd has prepared a rough brew that is tonic all the same.

Tim W. Ferguson is editorial features editor of the Wall Street Journal.

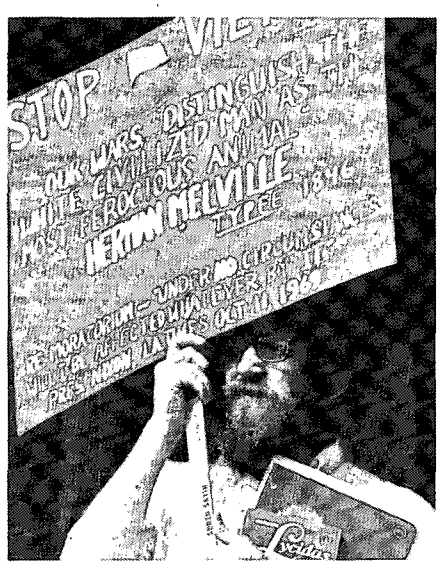
Pacifism Without Principles

BY ROBERT NISBET

Peace and Revolution: The Moral Crisis of American Pacifism
By Guenter Lewy, Grand Rapids, Mich.: Eerdmans, 283 pages, $19.95

Guenter Lewy's *Religion and Revolution* and *Revolution in Viet Nam*, among other scholarly works, have indentified him as a bold mind and at the same time meticulous scholar. In his new book, *Peace and Revolution: The Moral Crisis of American Pacifism*, he deals with four major American pacificist organizations: the American Friends Service Committee, the Fellowship of Reconciliation, the War Resisters League, and the Women's International League for Peace and Freedom.

Lewy is very far from personal opposition to pacifism as such; that is, pacifism uncorrupted by alien allegiances to social revolution that wind up in manifest contradiction to the pacifist ethic. "When the pacifist's conscience does not allow him to support policies that utilize force or the threat of force, the proper course for him is to remain silent." And this, as Lewy demonstrates, is precisely what American pacifists did for many years following their organization early in the century. They had one overriding ethic: the unholiness and unacceptability of all organized violence, no matter what the parties to it. The *Moral Crisis of American Pacifism* is about the dismal falling away from that ethic during recent decades. While it does not pretend to be either a historical or a theoretical inquiry, it is a valuable piece of reportage.



In the '60s, under the impress of the New Left, pacifism no longer rejected *all* organized violence.

All four pacifist groups arose out of World War I, unprecedented in the sheer mass of death and destruction and also in a savagery that only modern military technology had made possible. Lewy contends that these four organizations began with and for several decades maintained an ethic of nonviolence that was applied uniformly and without ideological qualification. Even during the 1930s when Communism and its bedrock of Marxism-Leninism exerted such strong influence on intellectuals and social activists in the United States, the four pacifist groups remained clear of Communist purposes. Lewy cites words of one prominent pacifist, Vincent D. Nicholson, of the American Friends Service Committee (AFSC), spoken at a major retreat in 1933: to work with Communists was "destructive of the whole principle of life for which the best people of the Society of Friends have stood." He added that Communists are mere "bootleggers to the cause of peace," interested in peace only to the extent that it serves their own nonpacific, militant quest for power.

Such a sentiment, Lewy declares, was broadly representative among the pacifist leaders down through World War II. Indeed, pacifism during this time had the respect and tolerance if not the agreement of a considerably larger number of Americans than had been the case in World War I. And this was unquestionably the consequence of the pacifists' own strictness of principles. Under no circumstances, not even against the soldiers of totalitarian powers, could a turn to violence be justified. Fascism, it was widely said, was itself the fruit of international violence, and any participation in further violence, even and especially against the soldiers of Fascism, would only spread and make worse Fascist despotism.

Approximately in the 1960s, Lewy shows, this principled pacifism, manifest in all four organizations, turned into some-

thing selective and ideologically discriminating. Under the impress of the New Left and the unpopularity in America of our entry into Vietnam, only one kind of violence was judged, on an ever-widening basis, to be unholy, unacceptable. That was the violence exerted by the capitalist democracies; not the violence imposed in often terrorist fashion by the North Vietnamese, the Castro-led Cubans, the North Koreans, and other revolutionary, Marxist-Leninist states or guerrilla movements. The emerging revolutionary "pacifist" called for a rigorous differentiation between acts of war by the United States and those by peoples purportedly fighting for liberation from capitalism. Even the genocidal Khmer Rouge in Cambodia was given condign consideration by many of the new breed of pacifists.

As Lewy is careful to stress, there were and are some notable exceptions in this tale of the corruption of pacifism. One Ed Lazar of the AFSC was tireless in his reminders to fellow members that the Quaker declaration of 1660 on pacificism repudiated "*all* outward wars and strife, and fighting with outward weapons, for any end or under any pretense whatever; this is our testimony to the world." But such an ancient and honorable position was repugnant to the new breed of Marxist- and Communist-oriented pacifist. Russell Johnson, long a member of the AFSC, wrote an essay titled "The Meaning of the Cambodian Tragedy." We must hesitate, he said, "to rush to judgment and must strive to have some empathy with the Khmer revolutionaries."

No old Bolshevik of Leninist years could have outdone this new type of so-called pacifist in the '60s and '70s in America. For this new pacifist, capitalism was itself a form of violence irrespective of whether overt, actual violence was utilized. Not all members of the four pacifist groups flouted the classic principles of pacifism. But by the mid-1970s, Lewy makes plain, "all the major pacifist organizations had gradually come to support the armed struggle of the National Liberation Front of South Viet Nam. Necessarily this meant a compromise with the pacifist values of reconciliation and nonviolence and eventually the open acceptance of the legitimacy of the revolutionary 'struggle of the oppressed.' "

Pacifists, Lewy concludes, have every right to avoid the moral dilemmas posed by the world of statesmanship and statecraft and seek individual salvation. Today, however, "pacifist groups counsel policies that are couched in the language of peace and justice but that in fact support and promote some of the most brutal and ruthless forces in the world."

Lewy might have concluded his excellent study with Thoreau's words: "There is no odor so bad as that which arises from goodness tainted."

Robert Nisbet's most recent works are The Present Age: Progress and Anarchy in Modern America *(Harper & Row) and* Roosevelt and Stalin: The Failed Courtship *(Regnery Gateway).*

Yeah, It's Just Like That

BY LYNN SCARLETT

Small Comforts: More Comments and Comic Pieces, by Tom Bodett
Reading, Mass.: Addison-Wesley, 166 pages, $7.95 paper

The other day my gray mood turned a dark charcoal. It happened just the way Tom Bodett describes such things. My car broke down half-way to work, my husband eventually came with his car, I took off in it, after which it, too, broke down. We all have *those* days.

Next time my mood is dark charcoal, I'm going to remember to dust off my copy of Bodett's *Small Comforts*. It will remind me that I'm not alone in my miseries, and it will make me laugh.

Bodett—the man behind that cowboyish voice of the Motel 6 radio commercials—is first and foremost an essayist. He doesn't expect to dazzle us with insight. He hopes, instead, that "at least once during the reading you stop to think, 'Yeah, it's just like that.' "

Bodett puzzles over the little things in life—wood piles, old picture albums, dishwashing, dogs, his favorite chair, or his socks. "Forget about the chicken and the egg, how far is up, and where does the time go. Just tell me where the lids to all my trash cans went, and can I find my missing socks there too?"

Bodett recounts with humor his daily tribulations, his accomplishments, his failures. Take for instance his battle against static cling. Shunning "those little blue perfumed foam rubber things you throw in the drier," Bodett sought other remedies. "Now, static electricity isn't exactly house current," writes Bodett. "You can't just unplug it, you have to ground it out....So I thought this grounding principle could be applied to the problem of static cling. I tied one end of a copper ground wire to a rivet on a pair of 501s and the other end to the drier's metal spinner. I started 'er up and in less than a minute found the clothes wound up with wire tighter than a hay bale."

Or consider his frustration with a pair of pretty expensive long johns—warm, durable, and comfortable, "but there was this tag in the back. It was made out of something just short of stainless steel." Bodett tore it out after the first wear. But "the tag had been sewn on with about two thousand stitches per inch, and although the tag was gone, the stitches remained. It provided all the comfort of a serrated knife sawing away at my fourth lumbar."

"Forget about the chicken and the egg, how far is up, and where does the time go. Just tell me where the lids to all my trash cans went, and can I find my missing socks there too?"

Now, I don't wear long johns, but I have a few turtle necks with those tags. Yeah, it's *just* like that (except they saw away at my neck).

Bodett is a guy who values a hard day's work, recalling with nostalgia his days at construction jobs: "I remember how dangerous it is and what working people put up with to make a living. Mostly I

remember the pride that came with being that way."

Bodett also believes the good old generic American has an unsung heap of common sense. He is thus baffled at the warnings, bells, whistles, flashing lights, and signs that barrage us with every commodity we purchase. "NO SMOKING signs on self-serve gas pumps are the ultimate insult. Although there may be some individuals who don't understand the principles of octane, anyone who'd light up in a cloud of gas fumes would probably deserve everything he got. Mother Nature's cute little way of weeding out the bad apples."

If we'd just take a bit more responsibility for ourselves, Bodett figures, all we'd really need to follow is one single command—the one his third-grade teacher used to use a lot:

"Mr. Bodett," she'd snap.

"Yes, ma'am?"

"SHUT UP AND PAY ATTENTION!"

"Yes, ma'aaaam!"

Bodett modestly denies any philosophical profundity. But *Small Comforts* is, in fact, chock full of wisdom.

In an essay that could be a foreword to *In Pursuit*, Charles Murray's new book on happiness and public policy, Bodett describes a malcontented and bigoted rich chap, a truly unhappy man, and contrasts him to a guy down on his luck, pushing a grocery cart that contains everything he owns. But the guy is happy, working at odd jobs for merchants as he shuffles down the street.

It's not a new notion. We all know money can't buy happiness. But Bodett manages to convey that message in such a heartfelt way, describing real people in action.

And his essay "Wow" captures in three pages something about the wonder of this world unrivaled by whole volumes of erudite tomes. Bodett lay in bed one early morning contemplating all the mundane tasks and annoyances the day would bring.

"As I was lying there brooding, I heard my child stir. He rolled over—I assume he opened his eyes—and said, 'wow.' Suddenly, I felt like a heel.

"With all my training to 'think good thoughts,' 'look on the bright side,' and 'take it a day at a time,' I woke up to a near-miserable world. This little boy who knows nothing of optimism woke up, saw he had a new day, and gave it his grandest praise....

"It dawned on me that this innocent little child was at the place I wanted to be. To wake up in the morning, take a look at the world, and say 'wow' is probably about as close to contentment as a person can ever hope to get."

One final pearl of wisdom from Bodett, "If you want to go somewhere, you gotta get on the bus." A common enough piece of advice, but Bodett has a way of making the reader really believe it—and really want to climb aboard.

Book Review Editor Lynn Scarlett is also the research director of the Reason Foundation.

Where Are the Faint-Hearted Cravens?

BY PATRICK COX

The Past Is Another Country, by Peter Wludyka
New York: Simon & Schuster, 396 pages, $18.95

Peter Wludyka employs a familiar premise in *The Past is Another Country*—a future America occupied by the Soviet Union. Sixty years after the nuclear destruction of New York City and the surrender of the United States to the Soviets, a half-Russian, half-American teenage boy discovers the buried memoirs of a Polish hunchback priest who helped and then shot the Marxist priest who led the U.S. disarmament movement.

Alex Nurov, complete with a birthmark à la Gorbachev, must read the manuscript secretively to avoid betrayal. He leads his privileged life as the son of a high party official, flirting with elements of the repressed and poverty-stricken native population while he slowly assimilates the priest's story, written as a book within a book.

He finds many elements of the manuscript baffling. The name Jesus Christ is a puzzle, as is New York City. Of course, he sets out to solve the mystery, and ultimately his detective work leads to his downfall.

Wludyka deserves credit for painting an effectively depressing backdrop of an America colored by ubiquitous socialist shortages, dehumanizing betrayals, and the Communist Party class structure. The book is not science fiction, however, despite the fact that it is set in the future. Technology, if anything, has regressed. Nor is it true fantasy, because the book supposedly extrapolates from present political realities. And therein lies the problem.

Using the relatively near future as a vehicle for political or philosophical speculation is dangerous and difficult, because the transition from now to then must be believable if the rest of the story is to be plausible. Most of the best pedagogic novels, such as Orwell's *Nineteen Eighty-Four* and *Animal Farm*, work by avoiding that problem entirely. On the other hand, Tom Clancy's *Red Star Rising* and John Hackett's *World War III* work because they stick strictly to the probable.

A book that asks the reader to take its projections literally, or at least seriously, must employ authentic, historically realistic mechanisms. If it does not, the credibility of the entire story is called into doubt.

The scenario of American subjugation in *The Past is Another Country* asks for altogether too much suspension of disbelief. It is exceedingly improbable that the United States would dump all its nuclear weapons into the ocean even if the Soviet Union agreed to do the same, simply because there are other nuclear powers in the world. But assuming some massive change in public opinion, one could argue that, after disarmament, the Soviets might intimidate the U.S. government into limp submission. Foolishly, I think, but one could argue it.

One cannot, however, convincingly argue that millions of Americans and their children would not engage in subversion and guerrilla warfare against an occupation army and bureaucracy. It is utterly inconceivable that Americans would cooperate so completely with an invasion force that in only a single generation—in just 60 years—almost all traces of objective history, tradition, and resistance would disappear. In Wludyka's book, opposition to the Soviet takeover is insignificant—

confined to some black religious fundamentalists hiding out in remote swamps.

Wludyka posits a world in the very near future, perhaps this decade, in which Americans have turned into faint-hearted cravens who would rather be red than dead. This is and always has been the posture of those who favor the draft—that people can't be trusted to recognize a real threat and act.

Perhaps the author is still upset over opposition to the war in Vietnam, proof to many of American timidity. The author ought to read more history.

At the height of opposition to the war in Vietnam, there were more supporters of that war than there were supporters of U.S. involvement in World War II just 10 days before the bombing of Pearl Harbor. The history of the American people is ambivalence or opposition toward wars between third parties and berserk rage when palpably threatened. Polls throughout most of 1940, for example, showed that only 10 percent of the public wanted to send troops to Europe. After Pearl Harbor, however, lines outside enlistment centers stretched for blocks, though most Americans were committed only to fighting Japan, not its ally Germany.

The people of tiny, primitive Afghanistan have demonstrated what a committed citizenry can do to the sophisticated Red Army, as the Vietnamese showed the French and Americans. Anyone who thinks that the Soviets would do as well against American guerrillas is out of touch. The Soviet supply lines to Kabul are considerably shorter than those required to fight in Charleston, South Carolina, where this peaceful novel takes place.

Much of Wludyka's book is well-written, especially for a first effort, but his zeal to make the point that disarmament is dangerous and that the Soviets can't be trusted provides no excuse for sloppy thinking that negates any possibility of allegorical veracity. This book will, however, appeal to those who hate Russians more than they love intellectual integrity.

A scenario in which gun control, uncontrolled government spending, and the surrender of property rights to planning and zoning commissions turn the United States into a facsimile of the Soviet Union is much more believable and just as dismal. Regrettably, it's harder to write.

Patrick Cox is a free-lance writer who contributes frequently to USA Today.

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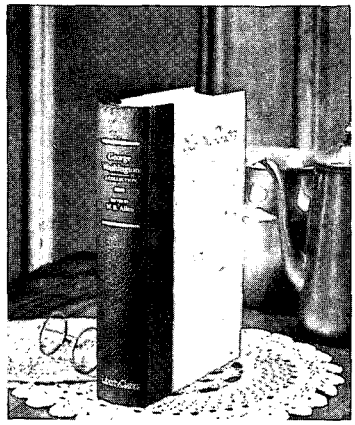

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BRICKBATS

It only took 100 years, but high school students in Purdy, Missouri, finally get to boogie. The school board, under pressure from fundamentalist ministers worried that dancing leads to immoral conduct, had banned school dances in the century-old Ozarks town. Several students and their parents took the issue to court, and a federal judge ordered the school to hold a dance. "Go, cats, go," was the refrain of a song about the ban recorded by a rock group. But the students didn't go on a wild rampage following their gyrations on the dance floor.

Free the Lobsters! That was the battle cry of People for the Ethical Treatment of Animals. The animal rights group spent $240—$40 for the lobsters and $200 for air fare—to reclaim seven live lobsters from a suburban Maryland restaurant and fly them to a new home off the coast of Maine. The restaurant owner agreed to dump his lobster tank, and PETA dumped the lobsters in the Atlantic. Maybe they can do it again next year, when the lobsters have gotten caught again.

Jack Stahl thought he was performing a public service. Someone had painted a swastika and an anti-Semitic slur in an elevator of his public housing complex in Union City, New Jersey. Tenants complained to the Housing Authority, but the hateful graffiti remained. So Stahl painted over the swastika—whereupon the Housing Authority charged him with vandalism. Now Stahl faces a fine of up to $250 for "purposely and knowingly damaging property." How did the Housing Authority know? He was turned in by the same maintenance worker who had ignored Stahl's request that the swastika be painted over.

Open can, consume contents, hand car keys to companion, pass out. Ray Malek apparently thinks that slogan should be printed on every can of beer.

REST ASSURED, MR. DUMPTY, WE'LL MAKE YOU WHOLE AGAIN... LET'S SEE... LOOSE BRICK: SUE THE BRICKLAYER... WALL TOO HIGH: SUE THE ARCHITECT... NO SEAT BELTS: SUE THE CONTRACTOR... SIDEWALK TOO HARD: SUE THE CEMENT MANUFACTURER...
ALL THE KING'S LAWYERS
TREVER ALBUQUERQUE JOURNAL

Angry when a drunken driver crashed into his car, he not only sued the driver but sued the brewery that produced the beer on which the driver got drunk. The brewery, complained Malek, failed to warn consumers about the dangers of excessive beer consumption while driving a car and failed to instruct consumers on the safe use of its product. The case went all the way to the Texas Supreme Court, which had the gumption to rule that breweries are under no legal obligation to affix warning labels about the well-known dangers of intoxication.

Do you wanna open a restaurant in New York City? You'll get a quick soup-to-nuts course in city bureaucracy. In order to meet the city's handicapped-persons law, a new restaurant had to delay its opening and increase its construction costs by $100,000. The city demanded the addition of an elevator as an alternative to an existing flight of stairs, a ramp for two raised dining areas, a lower than standard bar top, and much more. And since the wheelchair ramp involved alteration of a landmark portico, the owners had to get an alteration permit from the Landmarks Preservation Commission. Anyone for pickling bureaucrats?

New York State Controller Edward Regan is being investigated by a city and federal grand jury because big campaign contributors seem to receive lucrative contracts from his office. Naturally, Regan figures he's entitled to the best defense money can buy—the taxpayers' money, that is. The state has a $1-billion budget gap, but Regan says taxpayers should foot the $250,000 bill because of the vast number of subpoenas slapped on the controller's office.

No wonder Canadians think the U.S. welfare state compares unfavorably with their own. Get this—the Parliament engaged shrinks for M.P.s who lost their seats in the November elections, to get them through the trauma. The service was on call 24 hours a day, too.

—Mark Edward Crane

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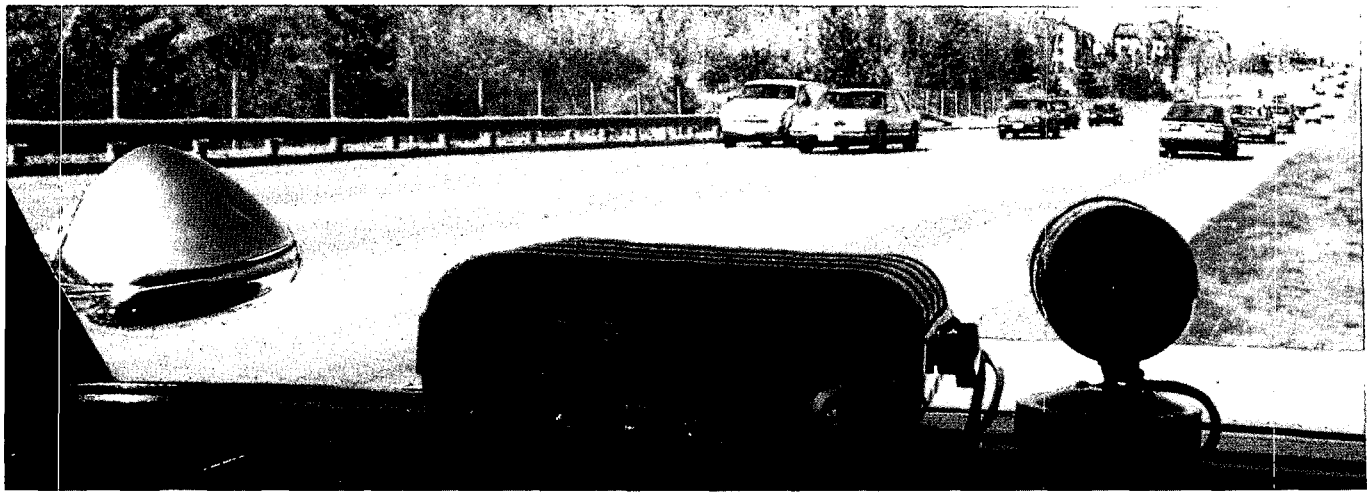

Traffic radar doesn't say which car is being clocked, it merely flashes a number. The radar operator must then try to determine which vehicle produced the reading.

Why radar makes mistakes. How to protect yourself.

Although nine different errors have been documented for traffic radar, the most common source of wrongful tickets is mistaken identity.

It's hard to believe, but traffic radar does not identify which vehicle is responsible for the speed being displayed. It shows only a speed number and nothing else. The radar operator must decide who is to blame.

How radar works

The radar gun is aimed at traffic and it transmits a beam of invisible radar waves. Each moving object within range reflects these invisible waves back to the radar gun. Using the Doppler principle, the radar calculates speed from the reflected waves.

Traffic radar is blind

Traffic radar works differently from military, air-traffic-control, and weather radars. The others use rotating dish antennas in order to track many objects simultaneously.

Traffic radar uses a far smaller, far cheaper, gun-shaped antenna. This simplification requires traffic radar to ignore all reflections but the strongest. The number displayed is speed calculated from the strongest reflection.

The best guess

Remember, these reflections are invisible. Truck reflections can be ten times stronger than car reflections. How can the operator know for sure which vehicle is responsible for the number?

The truth is, he can't be sure in many cases. The result is mistaken identity. You can be ticketed for somebody else's reflection.

Self defense

The only way to defend yourself against these wrongful tickets is to know when radar is operating near you. Others agree with this method. In his verdict upholding a citizen's right to use a radar detector, Judge Joseph Ryan, Superior Court, District of Columbia, wrote:

"If government seeks to use clandestine and furtive methods to monitor citizen actions, it can ill afford to complain should the citizen insist on a method to effect his right to know he is under such surveillance."

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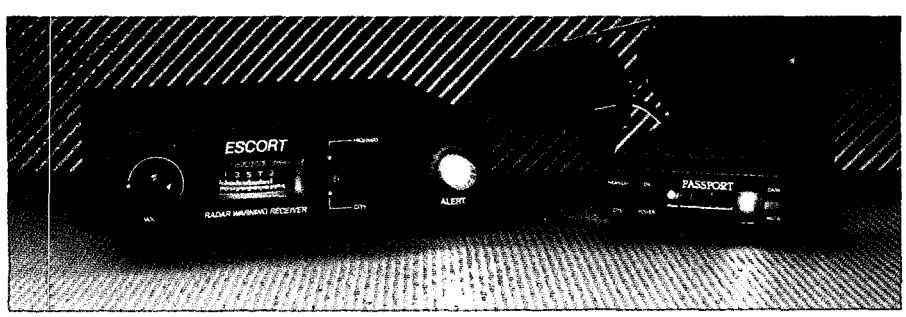

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